













**THE AMERICAN TASK  
IN PERSIA**







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**DR. A. C. MILLSPAUGH, ADMINISTRATOR-GENERAL OF THE FINANCES OF  
PERSIA**

# THE AMERICAN TASK IN PERSIA

BY

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To  
MY MOTHER





## PREFACE

It is my purpose in this book to tell the story of the American Financial Mission in Persia since the beginning of its work in 1922, and incidentally to interpret modern Persia from my own point of view. The present volume may be considered, not as the completed story of the American Financial Mission in Persia but rather as an introduction to the story. As I write, I am engaging a dozen more Americans to go back with me to Persia, to assist the people of that country in working out their policies of reform and progress. The work of the mission is not yet finished.

The history of this Oriental people during the last three years is to my mind a record of progress in the face of extraordinary difficulties. The problem of Persia should, in my opinion, be of vital interest to any other people which desires to see the stabilization of the world, and the achievement everywhere of efficient government based on the will of the governed.

In outlining the experiences that I have had and the information that I have gained, I have endeavored to avoid premature conclusions and generalizations from insufficient data. If for-

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eigners who have grown more cynical than I, suspect me of undue optimism, they should have in mind that the genuine sympathy and affection which I have acquired for the Persian people are products of the intimate and none too easy experience of one who has conscientiously aimed to keep himself open-minded; and my present opinions may for that reason alone be in themselves significant.

If any Persian should feel that I have been unkind or unwise in describing certain of the anachronisms, survivals, and weaknesses of his people and his country, he should remember that frankness is one of the conditions of understanding, that a problem cannot be solved until its elements have been stated, and that it is impossible to measure progress already made or estimate the prospects of progress in the future unless one sees the points of departure, the distance already traveled, and the obstacles and handicaps which have been overcome. It would be difficult, for example, to appreciate the greatness of Lincoln without a knowledge of his humble origin and his homely humanity.

With regard to nomenclature, I have not been entirely consistent or correct. Shortly before my departure from Persia, the titles borne by most Persian officials were abolished, and I have not been able in all cases to learn their present names.

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It has seemed necessary, therefore, to continue to give them in general the names by which they were previously known to the world. In the case of the Prime Minister who bore the title of "Sardar Sepah," I have used the family name which he himself now prefers, Reza Khan Pahlevi.

Other and perhaps more serious inaccuracies may be found in this book, but I hope that these may be charitably attributed to the fact that the American Mission in Persia has been engaged in a most absorbing employment, with no time for writing or even for the systematic collection of data, and that this book has taken form during the intervals of a westward sea-voyage on the Mediterranean and the Atlantic and during the spare moments of a brief business sojourn in America. Almost no information has been available to me except that received incidentally to the doing of our work in Persia. This is a personal, not an official narrative. Accordingly, I must assume full responsibility for its shortcomings. On the other hand, it would never have seen the light, even as a by-product of our work, if I had not received the loyal and able coöperation of my associates of the American Mission, and if the mission had not been permitted by the officials of the Persian Government, by the deputies of the Parliament, and by the Persian people to make its investigations and do its work. From the

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nature of the case, those to whom I am indebted for the information that I have used and for the points of view that I have expressed are too numerous to mention, and I am compelled to content myself with a general acknowledgment. I am, however, under special obligations to my wife for her unfailing encouragement, to Professor A. V. Williams Jackson, of Columbia University, to Thomas Pearson, and to Mr. W. Morgan Shuster, President of the Century Co.,—who himself occupies a niche in Persia's Hall of Fame—for his assistance and suggestions.

I wish to make it perfectly clear that no one in Persia and not a single official of the Persian or any other government has seen the manuscript of this book or has been consulted regarding its contents or conclusions. The responsibility for it is wholly mine.

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# **THE AMERICAN TASK IN PERSIA**



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## CHAPTER I

### INTRODUCTION

**W**HEN the American Financial Mission arrived in Persia, in the fall of 1922, we were welcomed by one of the newspapers of Teheran as follows:

You are the last doctor called to the death-bed of a sick person. If you fail, the patient will die. If you succeed, the patient will live. I do not applaud your arrival. I shall applaud, if you succeed.

His Imperial Majesty the Shah, at the audience which he granted us in Paris on our way to Persia and during subsequent conversations in Teheran, expressed a similar sentiment, and added that he considered the American Mission "the last hope of Persia." Many other Persians echoed these expressions.

In spite of these symptoms of mental depression, the patient, as I look back after two and

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one half years of intimate observation, appears to me to have enjoyed a fair expectation of life. Three thousand years of existence supplies in itself presumptive evidence of exceptional vitality and recuperative power.

Persia, according to the diagnosis of the "last doctor," was a case of arrested development with complications. The complications were many and some of them may have been serious; but they did not indicate any necessity for a major operation, for an international strait-jacket, for diplomatic massage or manhandling, or even for much advice. Persia seemed likely, not merely to live but to grow healthy and vigorous if left alone on a simple, nourishing financial diet with active economic exercise in the open door.

Historically, Persia was a world empire long before Rome extended its power beyond Italy; and the Persians were one of the few peoples who defied and defeated the Roman armies. Cyrus, Darius, and Xerxes are familiar names to any one who has passed the first year of high school. Unfortunately for a correct understanding of the country, ancient Persia has been too commonly represented in school texts as a barbarian threat to the Western civilization which was then budding at Athens. Little attention has been given to the contributions of Persia itself to civilization. Persia either created or ap-

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propriated and improved much of the best in the science and art of the ancient world. The continuous existence of Persia as a nation, from remote antiquity to the present time, the architectural grandeur exemplified by the ruins of Susa and Persepolis and by many other monuments and antiquities, the poetry of Firdusi, Sadi, and Hafez, to say nothing of such minor poets as Omar Khayyam, the persistence through the centuries of beautiful and artistic work in textiles, silver, brass, and pottery, the present progressive movement linked with the maintenance of nationality—all these things and many others illustrate the extraordinary vitality and power of recuperation possessed by the Persian people.

Standing between the East and the West, invaded by East and West and invading both, the Persians have always had a rare capacity for drawing on the special gifts of other peoples without losing their own characteristics and integrity.

Persia's problem—her case of arrested development—gets its first explanation in geography and its second in history.

With the exception of the Caspian provinces and the shores of the Persian Gulf, Persia is a table-land, buttressed and crossed by mountain ranges. Save for the Karun, in the extreme southwest, there are no navigable rivers in

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Persia. The meager streams of the plateau flow toward the interior and lose themselves in salt-deserts. Moreover, the topographical conditions which present obstacles to commerce are no doubt important factors in determining the climate of Persia. The rainfall between the Caspian coast and the Elburz Mountains is too abundant, but in the interior it rarely exceeds six inches. As a result, while dry farming is possible in a few regions, the agriculture of Persia has depended chiefly on artificial irrigation; and, although agriculture has remained the chief industry of the country, it has, due to transportation difficulties, played little part in commerce. With an area of 628,000 square miles,—greater than that of France and Italy,—Persia has a population which, in the absence of a recent census, may be estimated at about twelve millions.

Persia in the time of Cyrus and Darius was a world empire characterized by splendid power and creative civilization. Darius's post-road was a transportation wonder of the ancient world; even now one can see from the Hamadan-Kazvin-Teheran highway the huge earth mounds said to have been thrown up by Shah Abbass in the sixteenth century to serve as a chain of communication by signals across the country; unbelievable tales are told of the speed of Persian couriers.

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Persia, nevertheless, has never been, either externally or internally, a commercial country. The development of a true commerce has lain to the west, with Phœnicia, Athens, Venice, the Hanse towns, Holland, and England.

The medieval trade routes to India and China passed down the Red Sea from Alexandria; or overland from Antioch or Damascus, through Bagdad and down the Euphrates and the Persian Gulf; or from Trebizond on the Black Sea, along the south end of the Caspian, through Bokhara and Samarkand in present-day Russian Turkestan. The ships and caravans of the time naturally took the lines of least resistance; they merely skirted Persia; they did not originate in the country or pass through it except at the borders. Moreover, the discovery of the westward route to India and China did not seem likely, from the economic point of view, to improve the situation of Persia. In course of time, however, the British Empire, assuming the governance of India, became a neighbor of Persia, and in the second half of the nineteenth century the tide of Russian expansion reached the borders of Iran. During this pregnant period, Persia not only came into territorial contact with two Western powers, but she began to sense the significance of the recently acquired world positions of the United States and Germany. During this period,



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Persia became to other countries an object of intensive economic interest.

The tide of commerce had rolled back on Persia. Modern industrial civilization, with its potent political accessories, had found Persia in its path. West and East had met again, but not as in the time of Cyrus and Xerxes, of Alexander, and of Crassus. Persia was no longer an empire among empires. She had now become a buffer state and one of the world's last and most extraordinary frontiers.

In 1872, British telegraph lines crossed Persia; in the following year, the Shah for the first time visited Europe; in 1876, a concession for the Caspian fisheries was given to a Russian subject; in 1888, the first railway in Persia, a short line from Teheran to the shrine of Shah Abdul Azim, was constructed; in the following year, a concession was granted to British interests for a state bank, including exclusive mineral rights; in 1890, the British obtained a tobacco concession. From that year, Persia became increasingly more important in the economic policies of foreign powers; and for the last thirty-five years the question of transportation in the Middle East has repeatedly arisen in international negotiations, as well as in Persia's plans for its own economic development. The imminence of the problem to Persia, as well as its international significance,

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was shown at the end of the nineteenth century, when the Turkish links of the railroad from Berlin to the Persian Gulf began to become actualities. Later, the British obtained railroad options in the south of Persia; and the Russians, highway concessions in the north. It became clear that transportation offered the key to Persia's economic future.

Political dangers which may have arisen in the past from geographical location, have been partly obviated by Persia's extraordinary topography. The country is walled with rock as its cities and villages are with mud. Sailing up the Persian Gulf, one sees on his right the coastal edge of the plateau of Iran rising abruptly and unbroken, an impenetrable gray rampart. A trip in an automobile through the passes of the southern, northern, or western ranges of Persia is an experience which if its interest and impressiveness were fully appreciated would alone serve to attract many more tourists than now visit Persia.

Entering Persia from the south, the west, or the north, one is compelled to climb passes some of which attain an elevation of over ten thousand feet. The interior of the country is an enormous saucer-like table-land with elevations of from two thousand to eight thousand feet, rimmed with mountains which are among the most magnificent in the world. The king of them all, Demavend,

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seems a worthy rival of Fujiyama in grandeur, with the point of its snow-capped cone rising twenty thousand feet above sea-level. Viewed at sunset from Teheran, which lies about sixty miles to the southwest, the colors of its cone changing from white to gold, then to purple, and finally to gray as the sun sinks in the west, Demavend, always impressive, becomes for a few moments each day as glorious as Persia's western sky itself.

In an age of commerce and economic penetration, merely to "bound" a country does not describe its real relation to contiguous countries. The Caspian Sea, lying between Russia and Persia, is not a true geographical frontier. It is not a barrier; it is an exposure, an invitation; it is an obvious and easy path between Russian and Persian ports, and it is not surprising that the northern neighbor should have gained a position of predominance in the commerce of the whole of the marvelously rich territory between the Elburz Mountains and the sea. Across the frontier of Azerbaidjan, a railroad extends south from Tiflis to Tabriz; and east of the Caspian, in Turkestan, another Russian railroad almost touches the Persian province of Khorassan at Askabad. An Indian railroad terminates a few miles within the Persian frontier at Duzdab, and another British-controlled line leads north through Iraq from

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Basrah on the Persian Gulf, through Bagdad to Khanikin, a few miles from Kasr-Shirin, the Persian terminus of the west-east road to Teheran. Draw a straight line from Khanikin to Duzdab and it roughly coincides with the line fixed in the British-Russian Agreement of 1907 as the southern boundary of the Russian sphere of influence.

Russia and Persia, therefore, have in common two land frontiers, one approached and the other penetrated by a railroad, with the Caspian Sea between. The British and Persian empires likewise share two land frontiers, one approached and the other penetrated by a railroad, with the Arabian Sea and the Persian Gulf between. Along the eastern frontier, Afghanistan, and on the western, Turkey, share with Persia the precarious distinction of keeping apart two great empires.

I have mentioned the capacity possessed by the Persian people for drawing on the special gifts of other peoples without losing their own characteristics and integrity.

Persia has never, like Far-Eastern countries, barred her doors to foreigners or followed a deliberate policy of isolation. On the one hand,—like England, for example,—she has been, in the course of her long existence in a transit region of the world, repeatedly captured and nourished by

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alien invaders; on the other hand, she has, perhaps more than any other country, invited foreigners to give her expert assistance, not as a confession of political subordination or of incapacity but rather in the spirit that an American university listens to the lectures of a foreign professor, or an American municipality, desirous of non-political and expert administration, appoints a city manager, budget director, or police chief from another part of the country.

In 1900, the Customs Administration of Persia was placed in charge of foreign officials; and in 1903, Monsieur Naus, Belgian Director of Customs, was for a short time in general charge of the finances. In 1907, Monsieur Bizot, a French official, was appointed Financial Adviser and remained in Persia two years without powers and without noticeable result. In 1911, Mr. W. Morgan Shuster, with a group of American assistants, came to Persia on the invitation of the Imperial Government, to reorganize and administer the finances of the country. Within a month after his arrival, the Majless passed a law conferring on him comprehensive powers as Treasurer-General; he was supported by a majority of the Majless and by a large body of public opinion; and, since the unfortunate termination of his work by reason of international complications, the Persians have never ceased to respect him as an incarnation of

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their own highest aspirations. After the departure of Shuster, Monsieur Mornard, the Belgian Director of Customs, became Treasurer-General, but his tenure was short and he did not bring about any fundamental improvement in the financial situation. After the World War, a British Treasury official, Mr. Armitage-Smith, served for some months as Financial Adviser to the Persian Government.

When I arrived in Persia, I found Belgians administering the Customs and Posts Administrations, Swedes directing the police department, French doctors in charge of the Pasteur Institute, and French professors installed in the Ministry of Justice, codifying the laws and teaching in the law school. The Swedes were later dismissed; but steps were taken to employ a forest expert from Germany and an expert in tea-culture from the Netherlands.

While the appointment of foreign advisers and administrators in Persia may not always have been calculated and freely willed by the Persian Government or the Persian people (foreign economic interests and pressure were doubtless strong factors in this connection), nevertheless it is clear that Persia for a quarter of a century has held in its administrations with more or less consistency the signs and seeds of progress.

It is not our concern to balance the credits and

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debts of the past. Progress in Persia is not wholly imported; it is not a wholly exotic product fed by imitativeness and passing whims. Persia has of course adopted, and has received without any volition on her part many of the obvious material aspects of Western civilization; but it is more significant that she has learned and applied so quickly and consistently certain of the essential principles of our modern organized society. A most noteworthy thing to me is that the Persian Government and the thinking classes of the Persian people have comprehended more clearly than foreigners the theory of participation by foreigners in Persian administrations.

Foreign administration in Persia has not been to the Persians in any sense a stultifying surrender, and apparently it has not discouraged—perhaps it has even encouraged—the existence and growth of nationalistic spirit and political skill among the Persian people. The fact is, Persia is a weak country and in many respects an immature country. The experience of Persians in constitutional government and administration dates only from 1906. For the Persians, moreover, the task of completing and consolidating their political revolution is complicated by the coincidence of a comprehensive transition from economic and social conditions which in many respects are primitive or medieval. The inevita-

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bility of this transition, they cannot escape, if they would. With respect to countries like Persia, the modern industrial world—largely ignorant, itself, of the forces that drive it and of the reasons for its aggressiveness—lays down a minimum standard of efficiency as the price of independent existence.

Persia has long felt this pressure and has desired to meet the demands of the modern world. Moreover, there has been a noticeable desire among thinking Persians for the more varied and stimulating life that results from or accompanies economic development. Persians have been thinking somewhat in terms of welfare.

They have seen, however, that economics must precede welfare and finance must precede economics. Although politically engrossed, they have seen that finance and politics are as uncongenial as the proverbial lion and lamb, and that, to change the metaphor, an untrained political bull plays quick havoc in the financial china-shop.

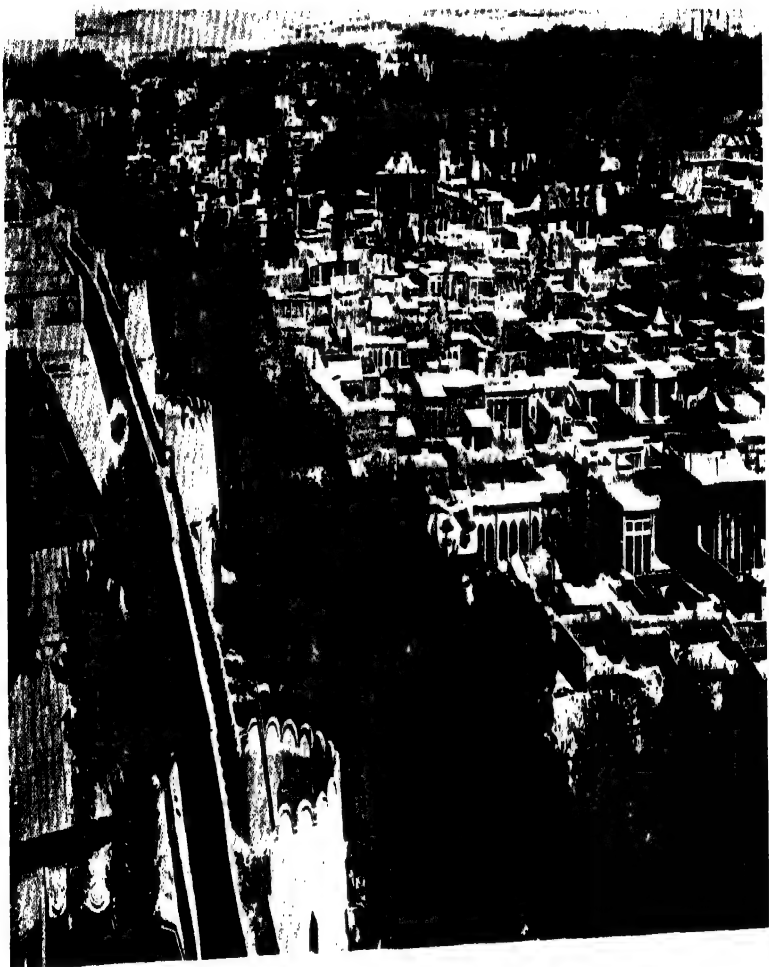
A financial administration—or, for that matter, any other technical administration—is, under the best of conditions, a difficult piece of machinery for a representative government to operate. It is naturally still more difficult when representative government is in the first stages of development. The Persians themselves are the first to



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confess frankly their administrative and financial difficulties. In the absence of an enlightened and effective public opinion in support of honest, efficient, and law-observing administration, the system of responsible cabinet government which exists in Persia captured and corrupted the financial administration. There is, therefore, a settled conviction among enlightened Persians that Persian finances must be kept free of politics and personal influence, and accordingly must be managed, for some time to come, by foreigners.

The inability of Persian politicians at the present time to manage Persian finances should not be construed to indicate any inherent incurable incapacity for self-government or even for technical administration. That the Persians should recognize clearly their situation and needs and should on their own initiative invite foreign expert assistance, as they have repeatedly done in recent years, seems to me evidence, rather, of their good sense and of their genuine desire for the improvement of their administrations. As a matter of fact, other countries have at one time or another and in one way or another received instruction from foreigners. In our own Revolution, we did not scorn to be drilled by French and Germans; and in the World War we quickened our preparation by learning from the French and the British. Many American cities have adopted the



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city-manager system of government, which is a recognition of the fact that one of the simplest and surest means of making administration efficient and economical is to call in a technically qualified outsider, give him an adequate salary, secure him in his position for a reasonable time, and equip him with adequate powers. The fact that the Government of Afghanistan has recently asked the Persian Government for certain administrative advisers indicates that the theory of relativity has some application in governmental matters. In any event, it would lead to a better understanding among nations and to a speedier improvement of their internal administrations, if the strong nations as well as the weak should more frequently exchange officials and specialists.

The Persians, furthermore, are most insistent that their foreign employees should confine themselves to their administrative tasks and should not mix in political or religious matters. A stipulation to this effect is written in the contracts of all foreign officials. With regard to the administrative work of foreigners, the Persians are highly critical and exacting.

In 1921, the Persian Government, then headed by Muchir ed Dowleh,—a patriotic liberal who during his public career in Persia has won general respect for his honesty, dignity, sound judgment, and statesmanlike aims,—formulated the

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main headings of an economic policy which included the employment of American advisers for the Ministries of Finance and Public Works and the Municipality of Teheran, the granting of a petroleum concession in the northern provinces to an American-controlled company, the attracting of American capital to other Persian investments, and the flotation of a loan in America.

The Persians looked upon America as a rich and powerful country whose government and people had already shown their humanitarian tendencies and their friendliness and sympathy for the Persian people. They did not doubt the disinterestedness of America; and entertained no fear that Americans, under cover of concessions or loans, would interfere in the politics of an Eastern country or attempt to dominate its government. The Persian Government, in a communication to the Department of State, had pledged itself to the principle of the open door; and the Persians no doubt felt that the presence of Americans and American capital in Persia would contribute to the creation of conditions under which the open door would become an actuality and the danger of spheres of influence or a partition of the country would be definitely past. The "American policy" of the Persian Government appeared to be based, therefore, on a strong desire to insure in a practical way the independence and integrity of Persia

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through economic and financial coöperation with a nation whose interests in the country would be likely to coincide with those of the Persian people.

The desires of the Persian Government were conveyed by its minister at Washington, Mirza Hossein Khan Alai, Persia's ablest diplomat, whose colorful personality, quick command of English, indefatigable activity, devotion to his country, and touching confidence in Americans, quickly won for him a large circle of American friends. Mr. Alai arrived in the fall of 1921, and immediately began his representations at the Department of State and his negotiations with American companies. As Economic Adviser of the department, it was my privilege to have frequent conferences with him, and the acquaintance thus established with him and with Persian questions had, doubtless, much to do with my selection as Administrator-General of the Finances of Persia.

In July, 1921, the Department of State, after prolonged consideration, suggested my name as a person with whom the Persian Legation might wish to communicate in regard to the appointment of a Financial Adviser. In suggesting my name, the department made it perfectly clear that I would undertake my work in Persia in a purely private capacity, and that all connection with the department would cease immediately upon my en-

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tering the employment of the Persian Government. It was made clear, further, that the American Government assumed no responsibility for any action that I might take as an official in the employment of the Persian Government.

The attitude of the American Government in this respect has been understood perfectly by the various members of the financial mission and by Persian officials; we have conducted ourselves accordingly; and I am confident that there will never be any disposition on the part of the Persian or any other government to hold the Government of the United States responsible for the acts of Americans employed in Persian administrations. With regard to their relationship to their own governments, the position of other foreigners employed in Persia appears to be somewhat different. The Belgians employed in the Customs Administration, for example, are career officials of the Belgian Customs Administration assigned to Persia by the Belgian Government.

My contract with the Persian Government was signed by Mr. Alai and myself on August 14, 1922. In the contract I was given general charge of the financial administration and the preparation of the government budget. It was agreed by the Persian Government that it would neither grant any commercial or industrial concession nor take any decision on a financial question without prior

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consultation with me. Explicit powers assigned to me involved effective control over the personnel of the financial administration, over expenditures, and over the creation of financial obligations.

Between the signing of the contract and our departure on September 30, 1922, the Persian Legation engaged on my recommendation a number of capable assistants to accompany me. The municipal adviser, Dr. Ryan, and his assistants who were engaged later, did not form a part of the financial mission. My American colleagues in Persia thus far have been Dr. E. L. Bogart, Mr. Frank H. Gore, Mr. Charles I. McCaskey, Col. D. W. MacCormack, Mr. Edmund H. Jones, Maj. Melvin Hall, Mr. T. C. Mitchell, Mr. C. C. Early, Capt. Thomas Pearson, Mr. James H. Flannagan, and Mr. John A. Dunaway.

Although the Persian Government during its long history has taken numerous partial censuses for fiscal and military purposes and has not been indifferent to the value of statistics, I found that the publication of well-planned financial reports and accounts had been started by Mornard and had ceased with his passing, although the customs and postal statistics were still being published annually by the Belgian officials in the administrations concerned. As a result, we were unable to find anything in the United States except the most



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general and inaccurate figures of Persian revenues and expenditures. We were not informed at all concerning the amount of the floating debt, and were given nothing but startling guesses at the sum of the salaries of government employees in arrears. We knew that the deficit must be large; and apparently, so far as we could learn, the then Persian minister of finance knew no more.

There are no American press correspondents in Persia, and as a result the American newspapers and their readers in general are apparently almost as ignorant of real conditions there as they are of conditions in the sacred city of Lhasa. Due largely, I suppose, to the remoteness of the country, only its sensational occurrences are reported in American newspapers,—for example the murder of Vice-Consul Imbrie, the earthquake at Torbat, the Parisian sojourns of the Shah, the movement to establish a republic, and the late unpleasantness between the Prime Minister and the Sheikh of Mohammerah, events all of which are important and some tragic, but which, torn from related events and surrounding conditions, give an utterly misleading conception of the situation in Persia.

There are several books which, although not up to date, present an informing description of significant historical events, conditions, and char-

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acteristics in Persia. Of these, I recall with particular appreciation Dr. Browne's "Persian Revolution" and "A Year Among the Persians"; Professor Jackson's "Persia, Past and Present"; Shuster's "Strangling of Persia"; Balfour's "Recent Happenings in Persia"; Sykes's "History of Persia"; and the inimitable "Haji Baba," which, although fiction, is truer than much that purports to be fact.

The conversations that we had, in America and on our way to Teheran, with those who had visited Persia, as well as the articles in the foreign press with respect to our mission, were eminently useful, but were not calculated to increase our optimism. The warnings that we received were kept in mind and served to temper our enthusiasm and keep us on our guard before experience had taught us its lessons. The Persian correspondent of the "Near East" said in its issue of October 19, 1922:

The American Financial Mission, under the leadership of Mr. Milspaul [sic] will arrive in this country shortly. Skeptics give him three months to get to know his work, three months in getting his work in motion, three months in collecting his salary before leaving Persia in despair.

In Paris, we were received by the Shah in his apartment at the Hotel Meurice. After the presentation and some affable words of welcome from

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his Imperial Majesty, I made a brief prepared speech which was answered by the Shah with expressions of friendliness and assurances of support. After the audience, in a private conversation, he again expressed his good-will. Nassir ol Molk, who was regent in the time of Shuster, a wise, experienced old man, was present at the interview and acted as interpreter.

The route that we took to Persia, the only practicable one at that time, was by way of the Red Sea, Bombay, and the Persian Gulf to Basra, thence by rail via Bagdad to Quaratu on the Persian Iraq frontier, and thence by automobile to Teheran through Kermanshah, Hamadan, and Kazvin. The trip took six weeks. At the present time Teheran may be reached in three weeks from New York, either through Russia or by way of Beirut, Syria, across the desert by automobile transport to Bagdad, thence by train or automobile to Khanikin on the Persian-Iraq frontier, and on to Teheran by automobile.

Traveling by automobile in the East is not uncomfortable or expensive; the roads, when not the smooth hard floor of the desert, are being constantly improved; and rest-houses and little hotels are springing up along the way.

We were met in Bagdad by a young Persian named Mirza Mahmoud Khan Nassery, who had been educated in England and who spoke English.

## INTRODUCTION

perfectly. He had been sent by the Minister of Finance with a *ferarsh* (servant) of the ministry named Ismail Khan, to arrange for our transportation and comfort during the remaining portion of the journey. They performed their tasks most efficiently.

Thoroughly pessimistic concerning the character of Persian officials and the condition of the finances, Nassery was nevertheless exceptionally intelligent and he was able on the way to give me much valuable information concerning the tax system of Persia. He was later appointed an assistant in the Direct Tax Administration and proved to be one of our most industrious and valuable Persian employees.

We were hospitably received by local officials and other prominent Persians at the principal towns on the road to Teheran; we had our fill of crisp bread, *pilow*, *dookh*, *mast*, and other appetizing Persian dishes; we tasted the rare deliciousness of Persian melons; we pushed past tribesmen emigrating with their flocks of sheep; near Kermanshah we saw the ancient stone inscriptions of Taghi Bostan and Bisitoun; near Hamadan we saw hot mineral springs bubbling up near the road; in spite of the chilly November air, we were impressed by the matchless view of mountains and valleys from the high passes; we met with a gust of rain near Kazvin, a sign of luck said the

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Persians; we passed caravans of camels, pack-mules, pack-horses, two-wheel wagons pulled by one horse and four-wheel wagons pulled by two or four horses, groups of donkeys with heavy burdens and tinkling bells, some automobiles and motor-trucks indicating the advent of fast machine transport; and in the evening of November 18, 1922, we entered Teheran to find Mokhbered Dowleh Park, one of the largest in Teheran, rented for us, a house almost completely furnished, servants salaaming on the steps, and a warm dinner ready to eat and faultlessly served.

## CHAPTER II

### THE AMERICAN MISSION TAKES UP ITS TASK

**D**UE to the difficulty of obtaining berths on the east-bound steamer from Marseilles, the American Mission—consisting, with its families, of seventeen adults, a boy of seven, and a six-months-old baby—had separated at Paris into two parties. Mr. Pearson, my special assistant, Mr. Flannagan, my secretary, and I took the first available P. and O. boat to Bombay and the remainder of the party followed a week later. At Bagdad, Mr. Pearson was taken with malaria, and as a result, Mr. Flannagan and I, with Nassery and Ismail, went on to Teheran without him.

On the morning after our arrival, we took a look about Mokhber ed Dowleh Park. A rectangle of about thirty acres, it is one of the largest and most beautiful gardens in Teheran, being second in size to the famous Attabek Park, where Shuster had been housed and which is now occupied by the Soviet Legation. Our residence is perhaps a quarter of a mile outside the city wall,

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and in this location we have enjoyed more privacy than would have been our lot within the city.

The same residence had been placed at the disposal of Mr. Armitage-Smith; and Djavad Khan, the English-speaking head servant who had been engaged for my service, had acted in a similar capacity for the British Financial Adviser and for some of the foreign legations.

In Mokhber ed Dowleh Park, two houses had been constructed, an enormous one which had been used as the *anderun* or family residence and a smaller house which had been used as the *birun* or place of reception and business for the Persian master. The smaller house had been furnished by the Government for the use of myself, Mr. Pearson, and Mr. Flannagan; the larger house was intended as the residence of several other members of the mission. Built in the French style, with ornate decorations, impressive entrances, large windows, spacious rooms, and high ceilings, the houses leave little to be desired, so far as appearance is concerned.

A Persian garden, such as Mokhber ed Dowleh Park, is a striking contrast to the sun-baked streets or bare fields outside. Within the walls of the garden, art and nature join in creating trees, shrubbery, flower beds, walks, streams, waterfalls, pools, and fountains that not merely

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delight the eye but become as much a part of the conception of home as the rooms and furniture of the house. Water is the life and the most precious adornment of a Persian garden; and in our park were two large, deep, clear pools stocked with goldfish, and three smaller pools with fountains in their centers. Lawns are rare in Persia and there was none in our garden, partly perhaps because of the shade cast by the thickly planted poplars, sycamores, and shrubbery.

In the spring after our arrival, we built a tennis-court and cleaned the largest pool for swimming; and, aside from other forms of recreation, we have taken pleasure in walking about the garden and, in the cool of the day, along the roads outside.

In the smaller house, we have five large rooms and three halls, each with a fireplace. The kitchen, servants' quarters, and store-rooms are in the basement, where the rooms follow exactly the plan of the floor above. The rooms are difficult to heat and to furnish attractively and comfortably according to American taste. We have set up iron stoves in some of the rooms, but the reception room, living-room, and dining-room are heated by fireplaces burning wood or Persian coal. Electricity, produced by a steam-power plant in the city, is available for lighting many of the buildings of Teheran, but most of the private residences, including those of Mokhber ed Dowleh



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Park, are lighted by kerosene lamps. Water is heated in a samovar and baths are brought to the rooms, in large circular tubs. It is surprising how little one misses in Persia the so-called modern conveniences of American houses. The fires, lights, and baths are attended to by the servants, good furniture is made in Teheran to order, and, on the whole, a permanent resident there can live as comfortably as in the West.

In addition to Djavad Khan, we found several other servants at the house; but these were soon reduced in number to four: two house servants, a cook, and a cook's boy, to whom were added, after Mrs. Millspaugh's arrival, a *baji* or woman-servant. The Persian servants are as a rule highly efficient, and, due to the economic conditions of the country, there is no lack of them. They are attentive to details, respectful, and faithful to their employers. Persian servants will rarely steal money or valuables, but they have their own commercial ethics according to which commissions on purchases for the house are considered by them a legitimate supplement to their salaries.

On the day following our arrival in Teheran, I called at the American Legation and on Fahim ol Molk, the Minister of Finance, the latter receiving me with marked cordiality and evidence of relief. He introduced me in his house to the editor of

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the newspaper "Iran," but advised me afterward to have nothing to do with Persian newspapers. Fahim ol Molk, on becoming minister a few months before, had reached the climax of a career in the financial administration, during which he had served in several more or less responsible positions. He impressed me at once with his personal attractiveness, his intelligence, and his ample information on matters pertaining to Persian finances. For several weeks he had been embarrassed by the lack of funds and by the demoralization in the administration, and he evidently welcomed the presence of one who could in the future draw the fire of critics and assume the responsibility for actions which he knew would be as unpopular as they were necessary. In one of our early interviews, he told me that I should be "the real Minister of Finance," and during the remainder of his tenure of office he acted as if his sole function were to advise me regarding the conduct of the administration.

In company with Fahim ol Molk, I visited the then Prime Minister, Ghavam os Saltaneh, who presented me to the other ministers. At the time of my arrival, Ghavam os Saltaneh was being subjected to savage attacks in the Parliament; and it was natural that the initiative of the Government should be more or less paralyzed. Following my call on the Prime Minister, I was received by the

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Valiahd or Crown Prince in company with Ali Kuli Khan, Nabil ed Dowleh, who had been Persian Minister in Washington at the time of the employment of Shuster, and who was at the time of my arrival Master of Ceremonies of the Court of the Crown Prince. The Valiahd—a handsome, genial, intelligent young man—greeted me affably and assured me of his friendly attitude.

In the course of these calls, I was introduced to the interesting Persian custom of drinking tea. Whenever you visit a Persian, his servants promptly set before you a cup or a glass of tea with a bowl of lump sugar. On a little table in front of you there are also usually sweetmeats, candies, and cigarettes. If your visit is prolonged,—as it is likely to be in Persia, where calls last commonly from one to several hours, particularly when host and guest have business matters of mutual interest,—tea will be repeatedly served to you, and often chocolate also. When you visit a Persian official in his home or office, at any hour of the day, tea and cigarettes appear. In the summer, tea is supplemented by sherbet and ice-cream. Smoking is perhaps not so general or carried to such excess in individual cases as in America. Persians who smoke, prefer cigarettes of Persian tobacco and Persian make; they rarely smoke cigars; and I have never seen a Persian with a pipe of Western model, although many





VIEW OF THE GARDENS OF GOLISTAN, LOOKING TOWARD THE ENTRANCE OF THE SHAH'S PALACE

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smoke the *kalyan* or water-pipe, which is sometimes passed around when more than one Persian are present.

After personal calls on the active high officials of the Government, I left cards at the houses of the ex-prime ministers and other dignitaries of the State, calling on a few of them personally, and finally completed the round of preliminary formalities by dropping cards at the foreign legations.

With respect to calling at the foreign legations, I was particularly desirous to do no less and no more than what might be dictated by Persian etiquette. Certain legations at Teheran have in the past taken an attitude toward the Persian Government and its officials which if adopted in a Western capital would prompt an emphatic protest from the Government concerned and would lead to the recall of the offending diplomat. Certain legations had been the mouthpiece of policies which, whether justly or not, created suspicion, distrust, and hostility in the minds of Persians. Many Persians who were friendly, and in some cases improperly friendly, to one legation, were hostile to another. I realized that at the time of our coming to Persia the situation had changed, and that the legations had abandoned many if not all of the practices which had persisted in the past. Nevertheless, I was engaged by contract to serve an independent government and it was,

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naturally, not my wish to give to the legations any recognition which might be misconstrued by the Persian people or the legations themselves. It was intimated to me that Persian administrations were filled with Russian and British spies and that many if not most of the leading Persian officials put the interests of a foreign government ahead of the interests of their own country. The patriotic party in the Majless had brought the American Mission to Persia because they wanted the finances managed by neutrals. On the other hand, the diplomats at Teheran represented governments and nations which had vast and varied interests in Persia and would inevitably and properly be brought into the discussion of many financial questions. It seemed to me, therefore, that there should be no act on my part which might in any way embarrass me in the handling of financial questions affecting foreigners. Accordingly, on the second day after my arrival in Teheran I asked the Minister of Finance whether I should make the first call on the legations. He laid the matter before the Council of Ministers and telephoned me that such was the custom of the country and the Government had no objection to my doing so. The ministers or their chargés d'affaires promptly returned my call, and although I was later to be publicly attacked by my Persian and foreign enemies, I was never criticized, so far

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as I know, for establishing social relations with the legations. When the Russian and French ministers, who were absent at the time, arrived in Teheran, they paid the first call on me. The Italian minister, also arriving later, apparently believed that he should receive the first call, and so, to my regret, we have never exchanged calls or enjoyed social relations.

This whole matter of calling and dropping cards may seem a petty and irrelevant detail. I gave attention to it and speak now at some length of it, because matters of this kind develop in Persia, not altogether without reason, an extraordinary importance.

Intimations also were made to me that I should call on certain of the prominent deputies and on the under-secretaries of the ministries. On the latter I did not call; but later, when it seemed to me that there was some possibility of misunderstanding on the part of the deputies, I left my card at the houses of a number of the leaders of the Majless. I was surprised, however, although on the whole reassured, to be told that one of the deputies had remarked on receiving my card that I "should get down to work and not waste time in dropping cards."

When I arrived in Teheran, the Shah had started back from Paris, and Reza Khan Pahlevi, then known simply as Reza Khan or by his title



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“Sardar Sepah,” the Commander-in-Chief of the Army and Minister of War, had gone to Bushire on the southern coast to meet him. On the day that I installed myself in my office at the Ministry of Finance, I was visited by a friend and admirer of the Minister of War, a young English-speaking Persian named Mirza Reza Khan Afshar, who had studied at Ohio State University and at Columbia. He brought me a cordial letter of welcome from the Minister of War; and as Afshar had an excellent command of English, I took him, at his request, into my service as interpreter. In this capacity he worked faithfully and loyally until in 1923 he was elected a deputy of the Majless from Urumiah, his native place. Another letter from the Minister of War had been handed me the previous day by Mirza Sultan Mohammed Khan Amerie, a young English-speaking Persian in charge of the Indirect Tax Administration, who enjoyed the confidence of the Minister of War and who was later to become one of our most useful Persian assistants. These letters from Reza Khan confirmed by other information left me in no doubt that this powerful personage had a keen appreciation of the bearing of finance on military power and that he was desirous of establishing relations of friendship and coöperation with the American Mission.

With the minister, I went through the formality

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of visiting the various administrations and bureaus, and then in the following weeks began seriously to familiarize myself with organization and procedure and to collect as much information as possible concerning the financial situation. I found that it was as difficult in Teheran as it was in Washington to obtain an adequate presentation of the facts. With the exception of the Customs Administration, which had been under Belgian direction for a quarter-century and had reports and regulations printed in French, and the Indirect Tax Administration, which supplied me with a clear and detailed memorandum in English, prepared by Amerie, we were unable to inform ourselves concerning the various branches of the administration except in a painfully slow, uncertain, and piecemeal manner. We had consultations day and night with Persians reputed to be honest and experienced in the finances. We discovered in these consultations that most Persians find it difficult to adopt an objective point of view. They were attempting to impress us with their long experience and honest service; and there was scarcely one that had not performed, according to his own testimony, notable achievements in increasing the revenues. Many of them warned us of the intrigues of Persians and foreigners against us; and all of them expressed an earnest wish to devote their abilities, at adequate salaries,

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to the service of the American Mission. I received under the seal of secrecy reports concerning the alleged dishonest activities of scores of Persian and foreign employees of the ministry, and I received anonymous letters warning me against people, ranging from my head servant to the Prime Minister. I filed these various reports and letters and gave them no attention at the time, because it was my determination to make no move in an atmosphere of suspicion and intrigue without being reasonably sure of the facts. My American colleagues, assigned to their respective branches of administration, were having similar experiences and following a similar policy. Mr. Gore, an expert auditor, assumed the direction of the Administration of General Accounts; Dr. Bogart took charge of the Bank-i-Iran and the Imperial Mint; Mr. Early took over the Administration of Direct Taxation; Mr. McCaskey, who had been engaged as Director of Indirect Taxation, was assigned to supervise Treasury operations; Colonel MacCormack and Mr. Mitchell, who had been engaged as provincial directors, were temporarily assigned to the investigation of the revenues. When Mr. Jones and Major Hall arrived during the winter, the former was sent to the Province of Azerbaidjan and the latter to Khorassan. Mr. Dunaway, Mr. Pearson, and Mr. Flannagan took up their work in my own office.

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M. Lambert Molitor, the Belgian Administrator-General of the Customs, had been employed in Persia for over twenty years, and with a staff of about a dozen Belgian officials was exercising a thorough control over the Customs Administration. A few weeks before the arrival of the American Mission, the contracts of the Belgian officials had been renewed for three years. The discovery of this fact, after my arrival, caused me no disappointment, for although my contract provides that no foreign official shall be employed in the financial administration without my approval, it was far from my intention to attempt to get rid of the Belgians, or, in the absence of clear administrative reasons, to interfere with their work. It seemed to be the part of wisdom to give our first attention to the other administrations, which had lacked foreign direction; and to turn to the Customs Administration, which appeared to be already well organized, only when it obviously required attention. When I entered Persia, the Belgian officials in the provinces met me with a message from Monsieur Molitor in which he gave me assurances of his loyal coöperation; on my arrival in Teheran, Monsieur Molitor gave these assurances his personal confirmation; and the Belgian chargé d'affaires lost no time in returning my call and assuring me of the cordial support of the whole Belgian community. I have

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never had reason to doubt the sincerity of these assurances. Monsieur Molitor and his Belgian associates have worked with their American colleagues without friction or perceptible jealousy. Had Monsieur Molitor been influenced by the intrigues which later started, or had he entertained petty personal considerations, our relations might have been less happy and the work of the American Mission correspondingly complicated.

In spite of the specific provisions of my contract, one of the first important questions that had to be decided was whether the American Mission was to be a group of advisers or of administrators. The Persian Government had originally asked for a Financial Adviser. Such was the title that had been borne by Mr. Armitage-Smith; and Monsieur Bizot had been permitted to advise only. Indeed, Monsieur Bizot, whom I met in Paris, told me in many phrases that I must spend at least two years in investigation and study before attempting to take any positive action. Before my engagement, the Persian Government had instructed its legation at Washington to urge the Financial Adviser, whoever he might be, to come to Persia without defined powers. Upon my insistence that certain specific powers be accorded me, the Majless, when including these powers in the law of my engagement, changed my title from Financial Adviser to Administrator-

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General of the Finances. In any event, it was never my intention that the American Mission should be a group of advisers with no power to get their advice accepted and executed. I realized that the finances of Persia could not be reformed without radical action, and that the general principles of sound fiscal administration were quite as well known to the Persians as to us. The Persians, however, as they themselves knew, were helpless to put these principles into practice, mainly for the simple reason that they were in politics. In spite of the obviousness of our position, the Minister of Finance was apparently laboring under a misunderstanding. He began by addressing me as *le Conseiller* in French and *Mostashar* in Persian, meaning "adviser," and before I had definitely selected Afshar as my interpreter, the minister transferred from the Customs Administration to my office a friend of his to be my "Chief of Cabinet." I sent the young man back whence he had come, and called the minister's attention to my contractual power over all appointments. In accordance with my contractual power over payments, I also issued an order to the Imperial Bank of Persia that no check drawn by the Government should be honored unless it bore my counter-signature. A few days later, the minister signed with me a joint instruction to all the branches of the financial adminis-

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tration to the effect that in the future all employees were to be responsible in the first instance to me and no order or instruction should be obeyed unless it bore my signature. A firm insistence in the early days on the recognition of my contract powers, was, I am convinced, the only means by which I should ever have had any opportunity whatever to exercise those powers. Had the American Mission come to Persia without powers, or, possessing paper powers, had elected to become advisers, we should doubtless have been less hard worked, less harassed, and in some quarters more popular, but we should have been a sore disappointment to those deputies of the Majless and other Persian patriots who looked to the American Mission for energetic action and effective leadership.

It is true that, unfamiliar as we then were with Persian conditions, it was necessary to take no fundamental action except after much investigation and study. During the first months, we invariably told callers who came with complaints, proposals, claims, or other business, that no decision could be taken until after careful investigation. Dossiers had to be translated and completed; accounts, most of which were far in arrears, had to be obtained and examined; most important of all, it was necessary to ascertain current fiscal needs and the revenue possibilities, be-

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fore we could lay down any plan for the handling of individual cases, which usually involved ar-reared obligations. We proceeded with the reor-ganization of the financial administration little by little and most cautiously, and it was not until the second year of our work that we were ready to propose to the Majless any taxation projects.

Effective control of the financial administration was, however, the essential thing. To get it at all, we had to get it quickly. After getting it, al-though we found that it burdened us with an enormous amount of responsibility and routine work, it enabled us immediately to stop the visible leaks and to make the obviously necessary im-provements; and incidentally it afforded us by far the best opportunity to get the information needed for our investigations.

The next important decision concerned the Minister of War. My first glimpse of this ex-traordinary man was in a garden just outside the city walls on a December day in 1922, at the end of his long journey from Bushire, where he had met the Shah on the return of the latter from Paris. Reza Khan was walking among his officers—a tall, straight, powerful figure; a strong, ruddy face; eyes and nose like those of an eagle. There was much in his appearance to indicate strong will. I was to learn later, from personal contacts, of his courtesy, cordiality, and common sense.



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From humble origins, Reza Khan had sprung suddenly into prominence in 1921 at the time of the coup d'état of Seyed Zia Din who, becoming Prime Minister, had made Reza Khan Minister of War. He has since remained continuously Minister of War and Commander-in-Chief of the Army. Gifted with unusual powers of decision and leadership, a stern disciplinarian, possessing organizing ability of no mean order, he had built up a well-drilled and well-equipped army with which he had already subjugated the tribes of Azerbaidjan and was maintaining satisfactory conditions of order and security throughout most of the country. There was a tendency to look upon him as a dictator, and he was regarded by all Persians with wholesome respect. He was tenacious of his power and prestige; he naturally looked upon the army, his own personal creation, with the keenest pride and affection, and rightly considered it the first essential instrument in the unification, nationalization, and reconstruction of the country. Naturally, he was likely to be on his guard against anybody who by chance might fail to appreciate the services of the army or who might take steps which would diminish its prestige or impair its strength. He was stated to have been in favor of the coming of the American Mission, and it was, I am convinced, his purpose to give it support; but

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he must have viewed with no little apprehension this group of strangers whose work might affect profoundly all branches of the Government, including the army.

Reza Khan's apprehension was doubtless heightened by the fact that, nine months before, he had taken over a large part of the financial administration in order to insure the payment of the troops. He had realized with his characteristic directness and good sense that an army could not be kept together without food, clothing, and equipment; and, to provide these essentials, it had to be regularly and adequately paid. He has the utmost confidence in his own power to get things done; and when the disorganized politics-infested Ministry of Finance failed to furnish the necessary funds, he had certain of its branches transferred temporarily to the Ministry of War, to be directed by his own appointees, the revenues to be paid directly to the army. When we arrived in Teheran, the Administration of Indirect Taxation,—comprising the important opium, tobacco, excise, and miscellaneous indirect taxes,—the Administration of Public Domains, the Alimentation Service, and the financial agency of Teheran, were administered directly and their net revenues received by the Ministry of War. In addition, that ministry re-

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ceived the surplus revenues of the Telegraphs Administration of the Ministry of Posts and Telegraphs.

In the absence of a national army or constabulary, Shuster had been compelled, in order to have the force necessary to collect the taxes, to organize a Treasury Gendarmerie. I also realized that, in order to collect the taxes, the existence of force, if not the actual use of it, would be in our case equally necessary. With an adequate force already organized by Reza Khan, it was clearly inadvisable for us to undertake the creation of a gendarmerie which would have duplicated expenses, and which would, moreover, have furnished occasions for friction and misunderstanding between the Ministries of War and Finance. Needing force to collect the revenues, I saw no other course than to try in every way possible to win the support and coöperation of Reza Khan and through him the support and coöperation of the army.

From a broader point of view, I looked upon Reza Khan as one of the most significant and encouraging phenomena in Persia. He seemed to be the leader that the country needed. He had shown constructive genius; he had taken the preliminary steps necessary to the making of a modern nation; it was apparent that no hope existed for the solvency, prosperity, and progress of Persia except

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on the basis of peace, order, and security; it occurred to me, also, that it would be difficult to conceive of any justification for foreign interference if the Persian Government showed that it was able according to modern standards to protect lives and property and to execute the law within its borders. It seemed essential that in return for the coöperation which I expected from Reza Khan, I should endeavor to assist him so far as possible in the accomplishment of those aims which were for the good of Persia. On the other hand, it was clearly necessary for us to obtain direct control over all branches of the financial administration and to centralize in our hands, to the utmost possible extent, all the revenues and expenditures of the country.

Calling on Reza Khan at his house with Fahim ol Molk and Afshar, I found that his attitude and remarks tended to confirm the conclusions that I had reached. Accordingly, I proposed that he return to the Ministry of Finance the administrations which were then under his control; that he render to the Ministry of Finance an appropriate accounting of the army expenditures; and that in return the Ministry of Finance, if we were able to obtain an advance from the Imperial Bank of Persia, should guarantee the regular payment of the army budget until the end of the fiscal year, i. e., March 21, 1923. To these proposals he

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agreed and the interview was closed with mutual assurances of friendship and coöperation.

We immediately arranged for an advance from the bank of four million tomans, and not only kept our promise regarding regular payments to the army for many months after the end of the fiscal year, but since December, 1922, have paid—on occasions, of course, with some delay—all the current authorized expenditures of the Government. Reza Khan promptly returned the transferred administrations. Colonel MacCormack took charge of the Administration of Public Domains, the Alimentation Service, and the Teheran Financial Agency, and Mr. Mitchell was assigned to supervise the Administration of Indirect Taxation.

We had another object in view in obtaining the advance from the bank. We arrived in Persia about four months before the close of the fiscal year. The treasury was empty. Payments of salaries and other expenses of the Government were at that time from one to eight months in arrears, and there were for previous years various unpaid obligations amounting to large sums. The school-teachers and the police were unpaid and were threatening to strike. Pensioners, of whom there were about fifty thousand, were taking *bast*, gathering at the Ministry of Finance, and otherwise contributing to the demoralization

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of the administrations. There were various claims by foreigners and foreign governments. The Court had not received any money for several months. The salaries of the deputies of the Majless were in arrears. Dealers to whom the Government owed money were refusing to furnish further supplies until they received payment. Employees of the Ministry of Finance engaged in the collection and handling of revenues were not receiving their salaries; and in such a situation, with the loose control then exercised, they naturally not only helped themselves from such revenues as passed through their hands, but also were not over-energetic in the collection of revenue. Furthermore, we could foresee for several months no prospect of a substantial increase of revenue. The oil royalties for the year 1922-23 would not be paid until December, 1923. It appeared to be necessary, therefore, to relieve the pressure on the Ministry of Finance in order to begin our work; to reestablish, so far as possible, the morale of government employees, particularly those concerned with the finances and with the maintenance of order in the cities; and finally to obtain the confidence and support of the people, who judge the success of a financial administration largely by its ability to make payments.

It is a pleasure to record in this connection one of the most heartening surprises that I have ex-

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perienced in Persia. When we went to Persia, I was told that we should be expected to perform the impossible; to draw from the thin air and arid plains a miraculous flow of gold, or, like the swarthy magician who entertains tourists at Cairo by extracting live chickens from their pockets, to conjure loans and investments out of the pockets of surprised and delighted Western bankers. The experiences of Persian officialdom since 1890 had been perverting and corrupting. Big business, engaged in sharp competition in a weak country, does not preoccupy itself with the training of the people or with the elevation of their moral standards. It would not have been surprising, therefore, if the Persians had expected something from us which we were not prepared to give, or if they had lost hope in the capacity of Persia to finance itself. Persian officials in the past have of course sought, and at times received, foreign loans, not for productive and constructive purposes or even for meeting the legitimate current expenses of the Government but rather for the corrupt enrichment of politicians. It is true that the governments that have been in power in Persia during the last two years also desire, like the governments of many other countries, to obtain foreign loans, and have made it quite clear that they prefer to raise the loans in America; but they fully accept the principle that

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any such loans should be expended under the strict control of the American Mission and only for productive and constructive purposes. Persian officials, and deputies of the Majless at the time of our arrival, were heartily sick of subsidies to be frittered away by extravagant and corrupt officials, and of advances from foreign governments or foreign companies conditioned by political favors or economic concessions. They were in many respects as suspicious and careful in considering a loan proposition as would be the lending banker himself. It may be added that the Constitution provides that no loan can be contracted by the Persian Government without the approval of the Majless.



## CHAPTER III

### HOW WE FOUND THE FINANCES

**T**HE more information we gathered, the more humility we felt. One foreign newspaper had intimated that only supermen could accomplish the work we had undertaken. We realized quite well that we were not supermen or financial geniuses. As a matter of fact, the job in Persia, from the information I had obtained in America, did not seem to me to be, on the whole, a job for financial experts in the narrow sense. The financial situation in Persia, however bad it might prove on acquaintance to be, seemed a symptom of a disorder rather than the disorder itself. As so-called rheumatism can often be cured by a dentist, so it seemed to me that the financial troubles of Persia would eventually be relieved by the removal of the hidden sources of infection.

The condition of Persian finances in 1922, does not constitute any ipso-facto condemnation of Persian capacity. There is abundant financial ability among the Persians; and there were and still are numerous Persians who not only know as

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well as we do what reform measures should be adopted but also have the requisite energy, courage, and will to undertake the task. Persian ministers of finance, with honest intentions, had undertaken the task, but they had failed because the storm created by reform was too powerful for political appointees to weather.

Financial disorders appear in all countries. Finance, as I see it, is not an exact science. Western nations have all had their financial troubles and have learned by experience. Up to a few years ago the United States had suffered from a recurring series of crises and panics; we had had "wild-cat" banks, an inflated currency, and "cheap" money movements; we had, at times, issued bonds to pay current expenses; in our expenditures we have been prodigiously wasteful; we have had no semblance of a national budget system until within the past few years; one State capitol bears splendid witness, it is supposed, to the graft which entered into its construction and furnishing; only a few months ago, a branch of our own Treasury Department was grossly, perhaps criminally, mismanaging and wasting its appropriations, which in amount roughly approximate the budget of the Persian Government; much of the corporation financing in America, public and private, to judge from recent legislation, is considered to be unsound if no longer

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actually "frenzied"; scarcely a financial step has been taken by our Treasury Department which has not been met by the criticism of experts. And the experts themselves, if they were given executive authority, could do little better, unless they combined with financial skill a divine understanding of the feelings and forces that pervade a complex modern society.

The financial problems of Persia seem to have been little different, essentially, from those which appear sporadically in America and which can be found in many other countries at the present time.

The first of the differences between Persia and some of the other countries that occurs to me, is that Persia has always been, up to this time, near the margin of financial subsistence; her budget has been small; her economic system almost stationary; her taxes inelastic; and her expenditures inadequate for her expanding needs. In Persia, therefore, any disorder, inefficiency, waste, leakage, irregularity, or error, has been relatively more conspicuous and serious than in many other countries, which doubtless suffer from the same conditions but which nevertheless enjoy a fairly good rating. Another obvious difference between Persia and some other countries is that Persia has not had time to establish an administratively efficient political organization. For that matter,

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few other countries have solved this problem. Persia appreciates, perhaps more than other countries, the need of experts in her administrations, and she has been no slower than other countries in putting into effect the approved legislative principles which are supposed to encourage and protect administrative efficiency. Persia, however, cannot do everything at once, any more than other countries.

The natural effects of politically induced maladministration were aggravated by the war and by the subsequent economic depression. During the war, the country was overrun, portions of the territory devastated, exports reduced, and government thrown into chaos. On our arrival a number of refugees were in Teheran from the devastated area of Azerbaidjan. They had taken bast in the Majless, and the Government was giving them a subsidy, but had taken no effective steps toward sending them back to their homes or toward rehabilitating their properties. Although some had once been prosperous proprietors, they were tending rapidly toward pauperization. A fund had been raised by private contributions for the relief of Urumiah; but a part of this fund had been loaned to the people of Guilan, who also suffered sorely from the war, and the balance had been deposited with the banking firm of Toumaniatz Frères, which shortly after

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had gone bankrupt. As a result of the criminal misplacement of the fund, none of it had been advanced to the people for whom it was intended.

In 1922, the country was just getting on its feet and taking breath preparatory to a slow economic recovery. Evidences of business depression were everywhere. Some of the most famous of the pre-war banking firms and merchants were bankrupt. Once-wealthy landowners were insolvent. Once-flourishing industries had languished. There was lack of confidence everywhere. Hardly a city, town, or village in the country, with the possible exception of Tabriz, showed any evidence of growth. Under such circumstances, it was surprising that the system of responsible government was working as well as it did; and the absence of revolutionary or Bolshevistic tendencies, at such a time, constitutes a tribute to the inherent stability of the Persian.

The demoralizing and wasteful effects of politics were apparent everywhere. With an average tenure of three months, and with much political pressure on him, a minister of finance was unable, as a rule, to know his administration or to carry out any far-reaching programs. Political opportunism determined his course of action. Even if he were personally honest, he could not oppose those who were politically influential. Under the circumstances, when a delicate question

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presented itself he usually preferred to make no decision at all rather than to run the risk of making an enemy. Persian officials were past masters in the gentle art of "passing the buck." When some action had to be taken, a commission was usually appointed which, unable or unwilling to come to a clear-cut decision, was followed by another similar body. In many cases commissions are useful coördinating agencies, but in Persia they were too frequently set up for purposes of delay. Correspondence with taxpayers in arrears dragged on with no decisive action. Dossiers grew to voluminous proportions. Cases were never closed. Positions, if not sold outright, were given to men simply because they were the relatives or friends of powerful personages. Nepotism reigned. Meritorious work only occasionally met with reward. Dismissals for incompetence and promotions for merit were equally rare. Disponibles, many of them capable young men, were numbered by the hundreds, reflecting the wide-spread state of unemployment in the country.

Offices were over-staffed and a majority of the employees were underpaid. Tax-collectors and local inspectors, paid as low as six tomans a month, naturally eked out their living by extortion, accepting bribes, or other illegitimate practices. In spite of low salaries and little actual

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work, the expenditures of the ministry exceeded its budget.

There was a general absence of the methods of control usually found in financial administrations. Forms were few, inspections infrequent, and auditing nearly a lost art. A dozen so-called inspectors were at desks in the ministry and they immediately made a collective complaint to me that they were given nothing to do.

Almost one half of the revenue of the country was derived from the customs tariff. The customs receipts, which had fallen to two and one half million tomans in 1917-18, had risen to almost seven million in 1922-23. The administration of the customs revenues was in the hands of foreign experts, and, happily, called for no immediate attention on our part; but the tariff itself was a problem of the first magnitude.

In the Treaty of Turkoman Chai, of February 22, 1828, following the Russo-Persian War, a reciprocal five-per-cent. ad-valorem tariff on imports and exports was established between the two countries. No period for this agreement was stated in the treaty, and, consequently, up to the World War, Persia was unable without the consent of the Russian Government to change any tariff rate affecting Russia. Treatment equivalent to that accorded Russia was in the course of time demanded by and granted other nations. In

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these treaties, however, the five-per-cent. rate was applied only to imports into and exports from Persia and was not accorded on imports of Persian goods into other countries, which received, instead, the benefit of the most-favored-nation clause. In 1901, the Shah, being in need of a foreign loan, was obliged to negotiate with Russia for a revision of the tariff. The resulting tariff, effective February 8, 1903, was placed on a specific basis, export duties were largely eliminated, and low rates were placed on commodities of interest to Russia. On February 9, 1903, an agreement was entered into with Great Britain by which certain rates were modified in the interest of British trade. The epitomized result was that the commodities of interest to Russia bore an average tax of 4.75 per cent., while commodities of interest to Great Britain paid an average of 26.77 per cent. This tariff was deeply resented by the Persian merchants, but their protests were without result. In his "Strangling of Persia," Shuster states that this tariff was "absolutely prejudicial to the interests of Persia and is so grossly partial to Russian interests and trade as to render it the most conspicuously unsuccessful tariff in the world, from the viewpoint of the people in whose behalf it is supposed to be framed."<sup>1</sup> In connection with the proposed

<sup>1</sup> Strangling of Persia, p. 313.



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Anglo-Persian Agreement, a new tariff was written by a joint commission of representatives of the two countries. It was decided to augment the revenues of the Persian Government, and to that end the schedules were generally increased. In this 1920 tariff agreement, however, a provision was inserted for a joint revision of the tariff in the future and reductions were arranged on British goods considered to have been overtaxed in the tariff of 1903. Nevertheless, the average rate, in the 1920 tariff, on the principal commodities of interest to Russia was 13.07 per cent., while the average on those of interest to Great Britain was 14.88 per cent. A slight advantage remained with Russian trade, but on the whole an equality was established between the two countries, and this tariff represented a distinct improvement so far as the interests of Persia were concerned. It was put into effect March 22, 1920, and was enforced for nearly two years. Although the Soviet Government, in 1921, denounced all treaties and conventions concluded by the former Czarist Government with Persia,—including, naturally, the Customs Convention of 1903,—it nevertheless insisted on a return to that tariff pending the determination of the rates to be levied on Russian goods as provided for in another article of the Treaty of 1921. As a result, the merchandise of all nations other than Russia

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was paying customs duties according to the 1920 tariff, while Russian goods were paying the duties of 1903. The treasury was suffering a loss estimated at one million tomans a year, the principle of equality of commercial opportunity, to which the countries concerned have given their verbal adherence, was set at naught through no fault of the Persian Government, and the discrimination which existed was giving to other nations and to a large body of Persian merchants a just cause of complaint.

The second important source of external revenue were the oil royalties from the concession, in the South, of the Anglo-Persian Oil Company. These revenues had risen to their highest point in 1921, and in the year of our arrival had started a decline which, in the face of increasing production, was discouraging and inexplicable to the Persians. The latter were hoping, however, to obtain another source of revenue in the northern oil concession, but at the time of our arrival negotiations had dragged on for more than a year and were still undecided.

The internal taxes of the country were a chaotic mixture of customary survivals and legislative enactment, for an adequate discussion of which a volume would be required. Since my purpose is to tell the story of the American Mission in the light of the problems that faced it, I shall

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not attempt a comprehensive exposition of this or any other branch of the fiscal system.

The internal revenue had in the past been for the most part farmed out or collected by the provincial governors and tribal chiefs. When we arrived, the governors had in general lost their revenue-collecting function, although they were still inclined to interfere in this connection with the activities of the financial agents. Generally speaking, the chiefs of the great tribes collected the taxes of the tribes; and the Sheikh of Mohammerah in Khozistan was virtually in the position of a tributary chief, who was waxing rich on the revenues of his province and was not compelled to pay his tribute to the Central Government. The practice of farming revenues had been thoroughly discredited by the unsavory and unprofitable tobacco and opium monopolies; but there was, when we came, a proposition under consideration to lease the government monopoly of sheep's intestines; and the collection of many of the minor miscellaneous taxes was granted by contract to private individuals.

Of the sources of internal revenue, there were three which were identified directly with agriculture. The direct tax on *arbabi* or privately owned lands, commonly called the *maliat*, was in general, particularly when a survey had been made, a tithe of the proprietor's net share of the

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product of the village; when no survey had been made, the tax was levied in accordance with the tax roll. A survey is a rough census of a village, including the area of cultivated land, its producing capacity, its live stock, its number of fruit-trees, and its population. Surveys had been carried out mainly to adjust the complaints of taxpayers, and had never extended to more than a fraction of the landed property in the country. The main dependence in collecting this tax, therefore, was on the ancient rolls, which were partly in the hands of the *mostowfis*. Since the rolls had been prepared, great changes had occurred. New villages had appeared which were not taxed at all; villages which had disappeared were still taxed; other villages were undertaxed or overtaxed, according to their growth or decline.

Before we arrived, steps had already been taken to modernize the archaic tax system. A project of law had been introduced into the Majless providing for a survey of all the landed property in the whole country and fixing a uniform tax on land.

We found under the administration of the Ministry of Finance extensive areas known as *khalis-seh* or public domains. Originally all the land in the country had theoretically belonged to the Crown, but in course of time most of it had passed to private ownership. To the publicly owned

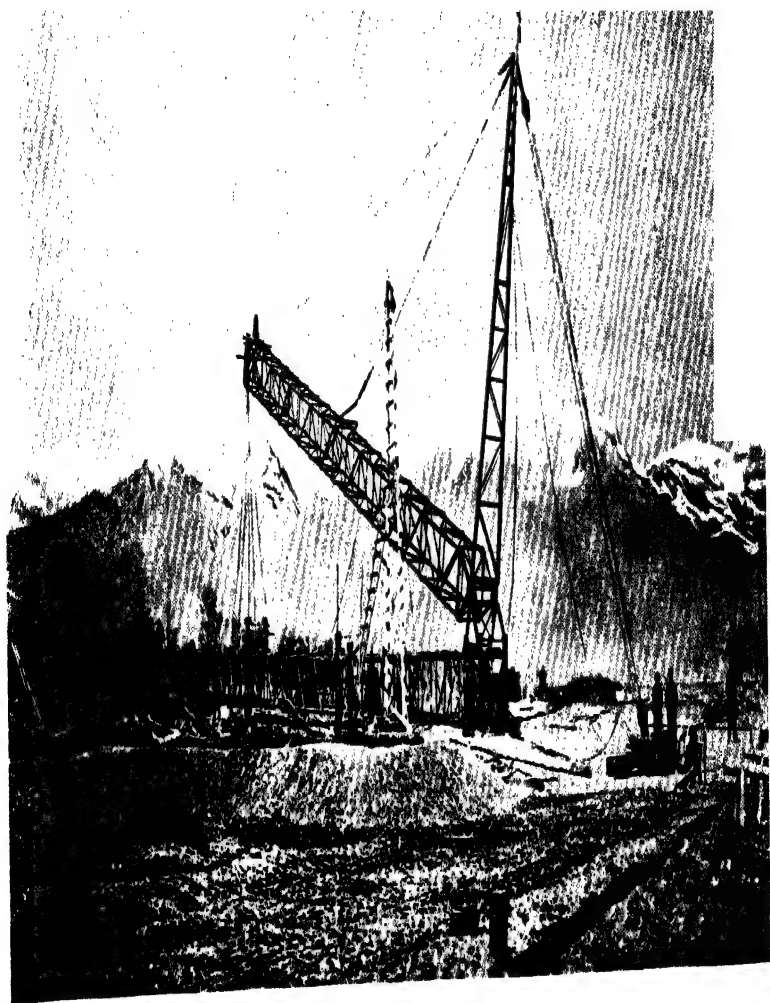
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areas remaining, were added lands which had been seized from rebels, or acquired by the Government in other ways.

The units commonly used in Persia in describing land holdings are the village and the pasture. The village may be of any size and may have several subsidiary villages around it. Likewise, the pasture may be sufficient only for the live stock of a small village or large enough to permit the summer grazing of the flocks of an entire tribe.

It was impossible to estimate the area of the pastures and barren and uncultivated lands owned by the State; but although the records were incomplete, a fairly accurate idea could be gained of the number and area of the villages.

There was a total of 1245 villages recorded as public domains, of which 360 were in Azerbaidjan, and 179 in the Province of Teheran. The area of the villages in the latter province had been determined with fair accuracy at 250 square miles. On that basis the Government-owned villages of the whole empire could be conservatively estimated in area at 1750 square miles. There were, however, vast areas owned by the State which were not included in the list of recorded villages. The Province of Seistan, for example, with an area of three thousand square miles, was almost entirely the property of the Government.



CONSTRUCTING THE FIRST HIGH-POWER GOVERNMENT WIRELESS STATION IN PERSIA; NEAR TEHRAN



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Many public-domains villages, particularly in the Province of Mazanderan, had fallen into the hands of private individuals, and other villages which had been seized by the Government were claimed by individuals. Disputes between the Ministry of Finance and individuals regarding the ownership of villages had filled many dossiers in the ministry, had led to the formation of many commissions, and had engaged the attention of the Council of Ministers.

The Tribunal of the Ministry of Finance—at that time, perhaps, the only permanent administrative court in the Government—was supposed to have jurisdiction over these cases. The Council of Ministers had, also, established a permanent Commission of Farmans, consisting largely of old mostowfis, for the sole purpose of examining and determining the validity of royal farmans possessed by individuals. Previous to our coming, a number of forged farmans had been discovered, but no effective action had been taken against the perpetrators. In order still further to quiet titles, the Council of Ministers had decided for the guidance of the Commission of Farmans that any village which had been in the continuous possession of an individual for thirty years or more should be considered the private property of that individual. The Council of Ministers, however, had subsequently issued other decisions on the



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subject, and little progress had in fact been made with respect to the settlement of land disputes. This was one of the problems which we were called upon to assist in solving.

The public domains were either leased to private individuals or operated directly by the Government; but the Government had not proved itself efficient either as a landlord or as a proprietor. Many of the public-domains villages were ruined; scarcely one was in a prosperous condition.

Many of the public domains had been leased by royal farmans to individuals on condition that a percentage of the crops should be paid to the Government as rent. Due to the changed conditions, the rent fixed at the time of cession bore no longer any relation to the producing value of the properties, and the Ministry of Finance found it difficult and in many cases impossible to collect the full rent of the ceded domains.

At the time of our arrival, the Minister of Finance had already drafted projects, for submission to the Majless, for the sale of the public domains of Teheran Province and for the adjustment of the rent of ceded domains.

Extensive and valuable properties known as *owghafsaukaf*, endowments or pious foundations, were scattered over the country. These were, in general, the bequests of individuals who in their

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wills had stipulated that the income of the property should be devoted to religious, educational, charitable, or, in a few instances, other specified purposes. Most of these properties were managed by clericals under the supervision, prescribed by law, of the Ministry of Public Instruction. Five per cent. of the revenue therefrom was supposed to be paid to the Government, to defray the expenses of supervision, but the actual receipts from this source were insignificant. There was, apparently, no complete list or valuation of the properties, and the Government's part in their administration was extremely weak.

There were no taxes on commercial documents, on non-rented real estate in cities, on incomes, on sales, or on inheritances. Generally speaking, the landowners were heavily taxed as compared with the merchants.

The *khanevari*, a kind of conscription-tax paid by the villagers, had survived from a time when quotas of soldiers were assigned to the villages. This tax, as well as the poll-tax which also had survived, was inequitable and extremely unpopular.

A large part of the direct taxes were paid in kind, i. e., in wheat, barley, straw, rice, or other products. It was impossible to convert all of these kind taxes,—that is, to collect from the proprietor their value in cash,—because in many

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regions in Persia there was not yet any general commerce in agricultural products with a resulting money economy. There were, however, frequent conversions, usually at the request of the taxpayer; and these conversions, as well as the sales of the tax-grain, presented much difficulty and opportunity for dishonesty.

The land-taxes had not been collected in full. Exemptions and reductions had been given on no equitable or sound basis, and some of the largest taxpayers had failed for years to pay their taxes and owed amounts ranging from a few thousand tomans to several hundred thousand. Many Persians urged me to make no attempt to collect these arrears. In the actual collections there were numerous irregularities. Collectors frequently gave personal receipts to taxpayers and the revenues received went into the pockets of the collectors. Occasionally receipts were given for large amounts when no money had been collected.

Two important taxes were levied on transportation: the road-tolls collected on means of transport using the constructed highways, and the *navaghel* collected at the gates of the cities and towns. With respect to both of these revenues, there were serious leakages, and both were viewed with disfavor, particularly by foreigners. Certain of the legations had protested against the

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navaghel on treaty grounds. Both taxes seemed to us to be theoretically bad, but in practice it was impossible to abolish them until we found some other revenue to take their place.

Of the indirect taxes, the most important were the taxes on opium and tobacco and the excise or tax on intoxicating liquors. While an important source of revenue, opium as a problem in Persia is less fiscal than it is hygienic, moral, economic, and political. It will therefore be discussed in another chapter. The tobacco-tax seemed to offer no special difficulties. The excise was in a peculiar situation, due to the fact that traffic in intoxicating liquors, while not actively or effectively prohibited, falls under a religious ban and therefore receives no legal sanction; and the collection of the excise tax was sometimes opposed because it seemed to involve an official recognition of a practice which was contrary to religious teachings.

There were about two hundred miscellaneous taxes, most of them customary and many of them local. These taxes, which had been abandoned here and there, were vexatious to the people and led to much difficulty. Constituting a veritable fiscal junk-shop, they included taxes on fish markets, on rafts, on charcoal, on the transport of melted butter, on cutting the throats of dying ani-

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mals, on lotteries, on gallnuts, and direct taxes on one hundred and forty-nine occupations, mostly crafts.

Aside from the revenues which were being temporarily collected by the Ministry of War, there were various receipts collected by other ministries, the most important being the revenues of the Ministries of Posts and Telegraphs and of Public Works.

The Ministry of Posts and Telegraphs, with substantial revenues and a large organization, enjoyed virtually a free hand with its revenue and expenditures. A part of the services of the Ministry of Posts and Telegraphs has been for many years monopolized by Mokhber ed Dowleh, whose extensive Teheran park had been rented and put at our disposal by the Government. After the death of Mokhber ed Dowleh, some years before, the ministry which he had exploited with so much profit to himself seems to have been considered the peculiar appanage of his family. Certain members of the family have been friendly to the American Mission; but in one of them, who adhered like a leach to the office of Under-Secretary of the Ministry of Posts and Telegraphs, we encountered one of the most tenacious opponents of reform. The Administration of Posts had been for some time directed by a Belgian, M. Camille Molitor, brother of Lambert,

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who was made the target of intrigues and propaganda and who, shortly before our arrival, was finally dismissed—mainly, it is said, through the efforts of the younger Mokhber ed Dowleh. The results of our struggles to control the finances of the Ministry of Posts and Telegraphs will be set forth in later chapters.

All revenues derived from roads, railroads, mines, forests, fisheries, telephones, and miscellaneous concessions and leases were under the administration of the Ministry of Public Works. These collections were in disorder; arrears had accumulated; and in general they were in as unsatisfactory a state as were the concessions, contracts, and leases on which they were based.

The Shah left to the constitutional Government a legacy of farmans and concessions granting special privileges to Persians and foreigners. Numerous grants, many of which are of doubtful legality, were to prove embarrassing and complicating factors in the carrying out of plans for economic development.

Other ministries, such as those of Foreign Affairs, Interior, Justice, and Public Instruction, also had revenues which were only partially received or collected by the Ministry of Finance.

Some fifty thousand pensioners were on the pay-roll of the Government, requiring annually almost a million tomans. On our arrival, pen-

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sions had been some months in arrears, and flocks of pensioners gathered daily at the ministry and even around the automobile of the Prime Minister.

In the fiscal year 1922-23, the year of our arrival, there was a deficit which, if complete accounts were at hand, would probably be found to approximate four million tomans or about twenty per cent. of the estimated revenues. The employees of the Government were in arrears for several months. The result was general stagnation in the Civil Service, and in the case of revenue-collecting officials, loss of revenue. The day after I took up my work at the Ministry of Finance, General Westdahl, the Swedish Director of Police, called on me, reporting that the police had gone on strike for their salaries and requested five thousand tomans. Claims against the Government had accumulated and were seldom either definitely accepted or definitely rejected. When a Persian claimant became too troublesome, he was given an order on a delinquent taxpayer for the amount due him and was expected to collect the tax and pay himself. Although the claimant usually failed to collect, the claim and the tax were entered in the accounts as paid.

Lacking confidence in the treasury, which was too often empty, many of those to whom periodi-

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cal payments were due had succeeded in having their payments assigned to specified revenues, usually the customs.

Prior to our arrival, the Customs Administration had become in some respects a semi-independent organization. It possessed a separate budget and it made its own payments directly from its receipts. It was also accustomed to make payments on the order of the Minister of Finance; and the Government had also in various cases assigned the customs revenues for the payment of certain recurrent expenses. Thus, the salaries, not only of the Belgian officials but also of various foreign pensioners, were a special charge on the customs receipts.

Money collected in the provinces was not remitted to the center. Accordingly, some of the claimants were satisfied, for the moment at least, with orders on provincial financial agencies. Many pensions were payable in the provinces.

No regular procedure controlled the making of payments. The Minister of Finance sent orders of payment directly to the Treasurer and the minister signed the checks. When funds were not at hand, the pensioners were given pay-orders which they sold at a discount to speculators in the bazaars who were strong enough to bring political pressure successfully on the minister. There were standing orders to pay a fixed amount daily



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or monthly to pensioners and these orders remained in force, although no credits for the payment had been voted by the Majless and in some cases the pensioner had died. Many such standing orders had been purchased by others.

There was no proper control over the purchasing of supplies. Each of the various ministers designated some employee as a supply officer and authorized him to supply the needs of his ministry at a fixed monthly price, which was paid to him regardless of the quantity or the value of the supplies that he had furnished. There was virtually no property-accounting of any kind. The credit of the country had fallen low. In general, the Government was able to purchase its supplies only for cash before delivery.

Accounts were months or even years in arrears, and no budget was ever liquidated. No accounts were rendered for trust funds. Salaries were frequently paid in advance; and in many instances cash balances were carried, not as cash but in the form of the receipts of those to whom the cash had been advanced without authority.

When the American Mission took up its work, we found that fundamental financial legislation had been enacted, much of it along sound lines. The Constitution provides that the approval of the Majless shall be necessary for the regulation of all financial matters, the preparation and exe-

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cution of the budget, the imposition of new taxes or the reduction of or exemption from existing taxes, the sale or transfer of any national resource or property, the grant of concessions for the formation of any public company or association, the grant of commercial, industrial, agricultural, or other concessions, the contracting of loans, and the construction of railroads and highways. It is provided that the budget of each ministry shall be ready fifteen days before the end of the fiscal year. It is prescribed especially that the expenditures of the Court shall be determined by law and that the military expenditures shall be approved each year by the Majless. It is stipulated in the Constitution that no order for the payment of any allowance or gratuity can be made on the Treasury, save in accordance with law, and a Court of Accounts was foreseen, to examine the accounts of the Government; and it is specially set forth that, except in such cases as are explicitly made an exception by law, nothing can under any pretext be demanded from the people except under the title of state, provincial, departmental, and municipal taxes. The General Accounting Law, a comprehensive statute passed by the Majless in 1289 (1910-11), prescribes in detail the budgetary procedure, and regulates the manner of making payments, the form of government accounting, the examination and settlement

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of the accounts, and the control of state property. This law had, apparently, never been properly enforced. There was another law determining the organization of the Ministry of Finance, which was considered by some to be in effect but which had been suspended at one time in order to give a free hand to a reform minister of finance. On account of that circumstance and the fact that it was a moot question whether the law had ever been revived after its suspension, we decided to disregard it. Had we been held to its prescriptions, we should have been greatly hampered in the reorganization of the ministry.

In spite of the fact that adequate legal provision for a budget had existed in Persia for twelve years, there was, strictly speaking, no budget until after the arrival of the American Mission. For the fiscal year 1922-23, the ministries had submitted detailed budgets to the Majless, but these had not been voted in detail or observed by the Government in its expenditures. In the case of all the important branches of the Government, including certain administrations of the Ministry of Finance, expenditures greatly exceeded the global credits which had been approved by the Majless.

An important appanage of the Ministry of Finance was the Alimentation Service. On account of transportation difficulties, surplus wheat

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and barley may be rotting in the fields in one part of Persia, while six hundred miles away the population may be suffering from a bread famine. Such a famine at the close of the war compelled the Government to establish throughout Teheran and adjacent provinces a monopoly of grain, fixing the price of its purchase from the landowners and of its sale to the bakers, as well as the price of bread, assuming at the same time the control of grain transport and of the one hundred and fifty-nine bakeries of Teheran. The administration of this monopoly constituted one of the most responsible and delicate duties of the Ministry of Finance. In the southern part of Teheran, there is a huge *ambar* or granary with a capacity of four hundred thousand bushels, where the grain is stored and cleaned and from which it is delivered to the bakers. The total receipts from wheat sold in Teheran amount to over two million tomans, and the total receipts of the Alimentation Service, from all sources, amount to almost three million tomans.

Under this system of control, the Government is of course held responsible for the price of grain, as well as for the price and quality of bread. Those in charge of the administration of this service had to steer skilfully between the producing Scylla and the consuming Charybdis. The administration brought the Government into vital

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business relations with influential classes of the population; and, since bread is the chief food of the majority of the people, it became—in the stalls of the bakers, in the barracks of the soldiers and policemen, in the hands of laborers eating at their work, and on the tables of the people generally—not merely a symbol of governmental efficiency but also an indication of the political attitude of a government toward the people. This phase of government was, in more than one sense, every day in the mouths of the people. The conduct of the Alimentation Service more than once seemed a matter of life and death. It was sometimes a matter of life and death for cabinets, for it was well understood that bad bread or scarce bread might bring about the fall of a government. Before our arrival, the service had usually been operated at a loss; and we found that it had been unable the previous year to repay the loan that had been made by the Imperial Bank of Persia for financing the purchase of grain.

The Bank d'Escompte de Perse, which had been transferred by the Soviet Government to the Persian people, was at the time of our arrival in a state of liquidation, with no cash balance, but with some tangible property and intangible assets difficult to realize but greatly exceeding its liabilities.

In presenting a summary of the conditions that

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existed in the financial administration on our arrival, it is possible that I shall create an impression that Persians are inherently incapable of progress or of efficient administration, and that the improvements effected during the last three years are to be credited solely to the American Mission. Such an impression I wish to avoid. The American Mission has proved itself, in my opinion, an efficient instrument, a useful adjunct, an important stabilizing institution, an educative influence; it has not been, and does not desire to be, a dictatorial power in Persia. The making of modern Persia should be, and I hope always will be, in the hands of the Persians.

Moreover, the Persian financial picture, even as it was at the time of our arrival, has its brighter features and interpretative background. One of the most encouraging factors was that the Persians clearly recognized the existing evils as evils, and wanted these evils removed. In spite of the irresponsible practices of the Shahs and the pressure of foreign interests, the greater part of the economic resources of the country still remained at the disposal of the Persian people. The per-capita debt and the per-capita taxation were small; the currency, except for a certain amount of defective coins in circulation, was thoroughly sound; there had been no inflation or depreciation; the assets and public services of the Govern-

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ment commanded respect. The country possessed a banking system which, while not so competitive as the Persians wished, was sound, and had already given and was destined to give valuable assistance to the Government. The chairman of the Imperial Persian Bank at the annual meeting on December 28, 1922, made the following remarks:

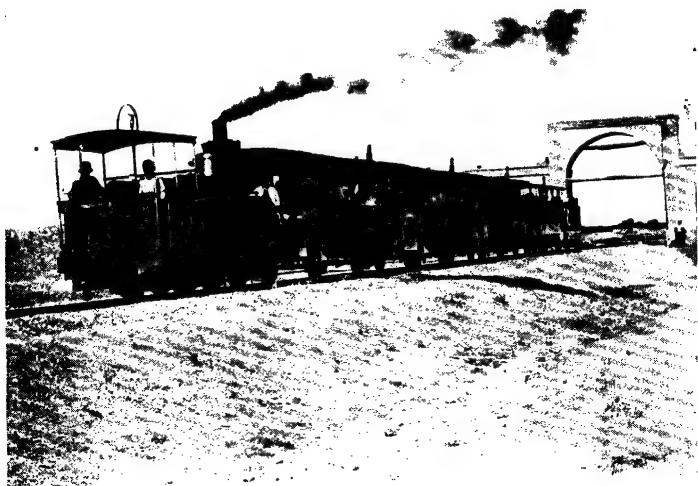
“Throughout the year, even during the change of the prime ministers, the Cossack leader, Reza Khan, has continued to hold the post of War Minister, and it is impossible not to admire the determination and efficiency which this able officer has exhibited in the control of his department. He appears to have so reorganized the various armed units existing in the country that he has succeeded in providing Persia with quite a fairly strong and well-disciplined military force, and the success of his efforts is reflected in the increased tranquillity which has prevailed throughout the country. For example, to quote only our own experience, for the first time for seven years we are able to record that not one of our branches has been closed during the year on account of disturbances, and you will notice that for the second year since the war we are able to hold our annual meeting in December, a result of the general improvement of communications which has followed the establishment of better order and security in the provinces.







CAMEL CARAVAN



A TRAIN ON THE RAILWAY FROM TEHERAN TO THE SHRINE OF  
SHAH ABDUL AZIM

## HOW WE FOUND THE FINANCES

“Last year I alluded to the reported desire of the Persian Government to obtain once again the services of Mr. Morgan Shuster as their financial adviser. Mr. Shuster, I understand, was unable to return to Persia, but another American gentleman, Dr. Millspaugh, was selected for this difficult post, and he arrived at Teheran with his staff a few weeks ago. This is an event of good augury for the country, if the Persian Government will invest him with the authority necessary for the successful exercise of strong financial control. Persia, like many other countries since the war, has found it difficult to balance its budget, but she has an industrious and thrifty population, her currency is in no way depreciated, and both the former financial advisers, Mr. Morgan Shuster and Mr. Armitage-Smith, formed the opinion that, if the system of taxation and the methods of collection were reformed and brought up to date, Persia should have no difficulty in paying her way. Neither of these gentlemen, unfortunately, was able to stay long enough to carry out their plans. We very sincerely hope that a more kindly fortune may attend the efforts of Mr. Millspaugh to put the financial administration on a sound footing. We cordially welcome his appointment, and it will be the duty and the privilege of our officers in Persia to afford him all the assistance in their power.”

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The psychological, social, economic, and political conditions of the country,—which I shall refer to more fully later,—when sympathetically viewed in their various relationships, did not appear to present insuperable obstacles. Hope lay in the history of the people, in their proved recuperative powers. Progress, which had its roots deep in the sentiments of the people and its flowering in the Parliament, had already borne fruit before our arrival. The Constitution and the laws which had already been enacted, offered the legal foundation on which to build a solid financial and economic structure. Reza Khan Pahlevi and his army contributed the authority, the force, and the leadership essential for the maintenance of unity and order, for the collection of the revenues, and for the carrying out of a sound economic program.

The deputies of the fourth Majless, which was sitting at the time of our arrival, were sincerely desirous of reform along nationalistic lines; they realized that they had not succeeded yet in perfecting parliamentary control of the finances; they took pains to inform me that the American Mission was the creature of the Parliament; and they showed themselves willing to give coöperation and support. The young Persians quickly showed themselves intelligent and willing workers,

## HOW WE FOUND THE FINANCES

amenable to leadership and keen to apply modern methods.

If the ground had not been thus prepared, and if we had not received coöperation from the Government, the Majless, and the Persian finance employees, our work would indeed have been difficult.

## CHAPTER IV

### PERSIAN PSYCHOLOGY

**I**N any country, the psychology of the people and the working of their social and political institutions have a most important bearing on economic conditions and on the conduct of any particular administration. We had agreed in our contracts not to interfere in the religious or political affairs of Persia, and to have due regard for its laws. A conscientious adherence to the spirit of our contracts required that we should become acquainted as speedily and as fully as possible with what constitutes the political affairs and the laws and customs of the country. It was necessary, above all, that we should grasp the feelings of the people, their habits of thought, their points of view, and the way in which they would be likely to react to any steps that we might take.

I had been repeatedly warned in the United States that the Persians were an Oriental people and that Oriental "psychology" is quite different from ours, and almost impossible for a new-comer in the Orient to comprehend. I had been duly impressed with the alleged fact that "East is East

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and West is West, and never the twain shall meet." Having never heretofore had an occasion to deal with Orientals collectively, I anticipated that the Oriental mind, whatever it might be, would prove to be one of our most subtle problems. I had visions of the Sphynx and of bronze Buddhas, accepted symbols of Eastern subtlety and immobility. One man who applied for a position on the American Mission offered as his outstanding qualification a special power to "interpret" the mind of the Oriental. Fortunately, we did not take him with us.

Occidentals, for many reasons, are likely to believe, whether it is true or not, that the people of the Orient, including the Persians, possess innate and unchangeable traits of character that render the Occidental and the Oriental as anti-thetic as the two poles. A visitor to Persia, or probably to any other Oriental country, is instantly and deeply impressed with the strangeness of things: the unintelligible language, the picturesque dress, the different habits and customs, the multifarious peculiarities of the streets and bazaars, the primitive agriculture and handicrafts, the absence of modern sanitation methods, the mosques, the muezzin, the veiled women, the camels, the donkeys, and the thousand and one other singularities which attract the traveler and enliven the pages of his book. Faced by such ap-

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pearances of almost incredible difference, one's mind turns instinctively to contrasts rather than to comparisons. It is only after becoming accustomed to the new surroundings that one perceives and appreciates the points of likeness. The tribal instinct too, unless a conscious effort is made to correct it, gives form and color to many of our opinions and leads us to consider any foreigner as an "inferior." Travelers and press correspondents in Persia, from whom we get much of our information, are naturally disposed to play up the strange and the sensational. Diplomats in Teheran, the spirit of whose despatches seeps through their foreign offices to the public, seem inclined to attribute to "Oriental" character the annoying delays and reversals, which, however, occur in negotiations in all capitals and should be particularly expected in a country where the lessons of diplomatic history point especially to the value of caution. The same may be said of the views of foreigners doing business in Persia. Instead of denouncing their customers as "impossible," they would do better to adapt their methods to their customers' requirements and points of view. Absorption in administration, which is the lot of many foreigners in Persia, tends to bring evils into relief and to create feelings of antagonism. In my case, there seemed to be at first a deliberate conspiracy among the Per-

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sians themselves to blacken the reputation of their countrymen. When we arrived, almost every Persian with whom I talked, having had some disappointing experience or subjective interest, leveled a withering indictment at all Persians except himself.

Nothing seems to me more useful, in reaching reasoned conclusions regarding a foreign people, than the mustering by the observer of as much judicial temperament and objectivity as possible, a sense of historical perspective, and a willingness to make comparisons.

With regard to comparisons, it is unlikely, of course, that peoples unfold their histories in perfect parallels any more than in recurring cycles. The complex phenomena of racial and national development in different countries are, probably, not subject to precise comparisons. I realize, moreover, the danger of premature conclusions and of generalizations from insufficient data. I can make no pretensions to ethnological knowledge, and I have had no special opportunity to observe the psychology, either individual or collective, of the Arab, Egyptian, Turk, Hindu, Chinese, or Japanese. It is possible that these other of the so-called Oriental peoples do possess, as compared with the American, British, or Continental European, permanent and striking differences in character.



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The multifarious and pressing demands of financial administration leave little time for any deliberate and well-planned excursion into the fascinating field of racial and social psychology. But these observations, which could not under the circumstances be deliberate and well planned, have been by force of the same circumstances more or less inevitable as preparation for our work and by-products of it.

The members of the American Mission have been at once the guests and the employees of the Persian people; we have been under the necessity of selling our ideas to them, and we have had to win their consent in financial matters to our leadership. Our task has been, therefore, essentially human and personal, and it has been necessary for us to adapt our methods and ideas to the personalities and viewpoints of the people whom we were serving and striving to lead and among whom we were living.

In this chapter, my intention, therefore, is merely to state some of the results of my own personal, incidental, and unscientific observations in a most fascinating field. If my tentative conclusions seem erroneous or unacceptable to those who are better equipped than I to form conclusions, I shall still have been true to my purpose, which is only to set forth the acts and ideas with which the American Mission has proceeded to the

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doing of its task in Persia. Personal judgments, whether right or wrong, are a part of the story.

Nevertheless, I feel that I have had, in the course of my work, an exceptional opportunity to become acquainted with the Persian people. From the beginning, I have had a constant succession of calls to make and to receive. I have been in intimate contact with Persian officialdom, from the Shah and Prime Minister down to the least of the poor disponibles. I have become acquainted with most of the merchants and large proprietors. I receive every day a number of letters from Persians, some of them anonymous, many of them personal, most of them revealing.

My calendar at the Ministry of Finance ordinarily shows all my office hours taken by appointments a week in advance. I have been criticized both for being inaccessible and for giving so much of my time to visitors. I have had thousands of talks with Persians, and almost all have contributed in some way to my understanding of Persian character, but if I had seen all who wished to talk with me, I should have had no time left for the correspondence of the ministry.

Judged by their original stock, the Persians are our first cousins. Persia has an admixture of various racial elements, but the core of the population is Aryan. An ancient inscription calls King Darius "an Aryan of Aryan race," and

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“Iran” suggests its own derivation. The Persians are, as a race, dark, but there are many blonds among them. In physical appearance they are in general fine-looking, congenial specimens. Zoka ol Molk once laughingly told me how, after one of his speeches at Paris during the Peace Conference, a lady with the light of surprised discovery in her eyes, came to him exclaiming, “Why, you are just like *us*! I thought you would be queer.”

A well-known banker of Boston invited Mr. Alai, when he was in this country, to address the financiers of that city. Before the luncheon, Mr. Alai’s sponsor was asked, “What kind of fellow is a Persian, anyway?” but after the luncheon those who had come to scoff or be bored or amused, remained willingly to listen during the better part of the afternoon, with respectful attention, to a man whose face, dress, mind, and language made a captivating appeal to the best American business man.

In my opinion, by far the most numerous of the special characteristics of the Persian people are products of their economic and social environment. We have seen in America how in various sections of the country—due to hard living, the institution of slavery, climate, isolation, frontier conditions, or what not—certain definable and recognizable local types of personality

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and character have taken shape. It would not be surprising if the peculiar conditions—historical, geographical, topographical, climatic, economic, and social—which have existed in Persia should have developed certain special characteristics in the people. These special characteristics unquestionably exist, but they partly or wholly disappear in the case of Persians who have lived during the formative periods of their lives in Western countries or have been educated abroad or in the American School at Teheran. One Persian differs in character from another precisely as Americans differ; but apart from the superficialities of dress and manner, they look, think, talk, and act like the rest of us. They are human beings, having their individual virtues and faults. They certainly are not, as a people, “inferior.”

It is impossible to describe a whole people, as it is to indict them; but there are traits that are common among the Persians and which perceptibly affect their political and economic functioning.

Hospitality is the Persian trait which first impresses itself on the sojourner in Persia. Frontier conditions exist and the population is scanty. Property is largely in land; and wealth is neither liquid nor expendible as in the Western countries. Many of the forms of recreation and luxury that are available in the West—such as the

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opera, theater, restaurants, summer resorts, professional sports, sanitarium, country clubs, yachting, petting parties, or stock-exchange speculation—are virtually non-existent in Persia. It is natural, then, that wealth as it exists in Persia, should express itself in a leisured life, beautiful parks and houses, numerous servants, large families, gorgeous rugs and ornamentations, an overflowing table, fine horses, and unstinted hospitality. In Persia, as in other similar regions, the slowness and difficulties of transportation bring few visitors to one's house; and the stranger who happens to stop is peculiarly appreciated. He is ushered into the house with the respectful salaams of the servants; when he leaves, he is escorted to the gate or even accompanied a part of the way by his host. A favorite expression of Persian welcome is, "My house is your house."

In social matters, the Persian is punctilious and formal. In his language he has one form of address for inferiors, one for equals, and one for superiors. He has careful regard for the rank of his guest. The question of precedence is one that Persians never overlook.

The simple and in many respects wholesome manifestations of a social system rooted in an agricultural economy, are sometimes cited by foreigners as proof of the Persians' superficiality and inherent love of display. The same social

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characteristics, however, have appeared in other countries at a similar stage in their economic development, for example in the Southern States of America before the Civil War. Moreover, formality and preoccupation with matters of official precedence and personal prestige are by no means peculiar at the present time to Persia and the Persians. These manifestations are found in every capital, particularly in the diplomatic community, and at Teheran foreigners in general attach quite as much importance to these matters as do the Persians.

From what has been said, however, it must not be inferred that there is no democratic spirit in Persia. On the contrary, I should say that the Persians are essentially democratic. Among a people still living in an agricultural economy and just emerging from a monarchical and quasi-feudal régime, hierarchies, social gradations, and formalities are to be expected. On the other hand, there is no caste system in Persia; the Constitution establishes universal suffrage and places all Persians equal before the law; the Prime Minister, some of the recent ministers, and one or two of the wealthiest and most influential merchants have risen from the humblest origins; others who were once powers in the country are now stripped of wealth, position, and influence; titles have been abolished by act of Parliament.

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Many of the institutions and customs which survive, although in appearance aristocratic, are in my opinion valuable as social brakes, preventing a too-rapid growth of democracy.

There are two qualities which are held by most foreign observers and even by the Persians themselves to be rare in Persia,—energy and honesty. These are the qualities which are held in highest esteem by the Persians themselves; but, when found, are supposed to be seldom if ever found in combination.

As for energy, it is quite true the Persian impresses one as slow, inactive, and procrastinating. He goes about his work leisurely, taking more intellectual interest in philosophy and poetry than in more practical subjects. He wastes much time in talk, particularly of politics; and his conversation concerns itself for the most part with persons or with points that seem irrelevant. He usually hesitates long before coming to a decision. One of the most common criticisms of the Persian official is that he appears to be unable or unwilling to decide any question whatever. The Persian participants in a conference on any subject are seldom those who urge action or press for an agreement. On the other hand, they often seem to welcome most the proposal which postpones the issue and settles nothing.

Some time ago, a sketch in an American hu-

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morous weekly pictured the American as a devout worshiper of a metallic idol which he carries in his pocket or sets in front of him on his desk or mantel and to which he makes obeisance a hundred times a day. The Persian certainly is no slave of the clock or watch; he does not worship Time. He apparently does not view life as a closely timed schedule.

An observer in Persia sees on all sides the appearance of idleness. The peasants go to the fields at nine or ten o'clock in the morning; the traders in the bazaars sit cross-legged in their stalls, languidly letting custom come to them; in almost every Persian home one can meet good-looking, well-dressed, educated young men who are doing nothing; in the tea-houses and caravansaries and along the streets and roads are groups of Persians, lounging, talking, smoking, or playing cards; on the sidewalks or by the side of the road, one frequently passes peasants or laborers lying on their faces in the hot sun, sleeping; whatever Persians may be doing, they never seem to be in a hurry; an official conference called for four o'clock will get down to work at five-thirty; the numerous holidays, the noonday siesta in the summer-time, the superfluous servants, as well as the familiar traits of indecision and procrastination, all seem presumptive evidence of a lazy population.



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Nevertheless, one must look beneath the surface before pronouncing judgment. Some of these conditions are, as we have seen, the natural accompaniments of an agricultural economy. The basic and predominant industry of Persia is agriculture. The transportation situation fixes a more or less definite limit to the expansion of agricultural production; and for the same reason the purchasing power of the population can expand but slowly. There is lack of coördination between production and distribution. Population has all the time pressed on subsistence. The result is an unemployment situation so general, so chronic, and so familiar that it seems at first sight as natural and as characteristic a feature of the country as the landscape and the language. I am certain, however, that the wide-spread unemployment and part-employment in Persia constitute for the most part an economic condition and not an inherent racial or personal defect. Introduce the stimulus, the opportunities, and the demands of industry, and much of the present idleness and apparent lethargy will disappear. Moreover, if we were fortunate enough to get accurate statistics and charitable enough to make comparisons, we should probably find that there is in Persia at present no more idleness proportionately than in the whole of western Europe at various times or

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in parts of western Europe at the present time, or in numerous villages in America.

It is possible that from this serious and long-standing unemployment situation in Persia, there may have come a depressing and demoralizing infection, which has conceivably determined to some extent the habits and points of view of the people. In Persia, moreover, as in other countries, much apparent idleness springs from social standards whether economically explainable or not. For example, a Persian disponible comes to my office seeking a job. He explains that he has a family of eleven; that he has been out of work seventeen months; that he has exhausted every resource; that creditors are perching in flocks on his doorstep; that even now he is selling his furniture to buy bread; and that unless work is given him, he will be driven to suicide. He finishes his story by stating that, prior to his dismissal, he had served faithfully and honestly as a clerk, an inspector, and financial agent for almost sixteen years. Knowing of a vacant job carrying a salary of one hundred tomans a month, I offer it to him; but my offer is promptly declined, for the reason that his last salary had been one hundred and twenty-five tomans and his pride would not permit him to accept what might be construed as a demotion. The above is a fairly accurate illus-

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tration of the family or individual pride exhibited by most Persians of the office-holding class, their curious sensitiveness to anything which might imperil prestige, which leads them, although they usually have no aversion whatever to work, to prefer unemployment rather than demotion or manual labor.

Generally speaking, the Persians are by character neither lazy, slow, nor sluggish. When circumstances permit, they are not only intelligent but also quick, energetic, and industrious. When a Persian laborer is once put on a job, he works hard. The Persian employees in the financial administration compare favorably in faithfulness, devotion to duty, and steady application to their tasks, with the best government employees in any Western country. They have, naturally, much to learn of method, but of industriousness and ambition they show no lack. They willingly work overtime and forfeit their leaves of absence. The personnel of the new Persian Army is hard worked and strictly disciplined, but it reveals, so far as I can see, no inherent incapacity for soldiering. In respect of hard work, as in other respects, the Persians are peculiarly amenable to leadership, example, and new demands; and they are already revealing what is in them, in response to the example of energy and hard work set by their Prime Minister, Reza Khan Pahlevi,

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who is himself, like many of the ministers and deputies, an easy refutation of the charge that all Persians are lazy. It is probable, also, that the hard work of the American Mission has aroused in many Persians, particularly the young men, a capacity for toil that was formerly latent; and it is certain that the new vision of a developed industrial Persia, with its obvious demands on the energies of men, is having its stimulating effect.

It is necessary to examine also, with some care, the current belief, held by Persians as well as by foreigners, that the Persians are generally dishonest. The Standard Dictionary defines "honest" as "fair and candid in dealing with others; true, just; upright; trustworthy; . . . free from fraud; equitable; fair. Of respectable quality of appearance; creditable; unimpeached. Characterized by openness or sincerity, frank. . . . One who is *honest* in the ordinary sense acts or is always disposed to act with careful regard for the rights of others, especially in matters of business or property. . . . The honest man does not steal, cheat, or defraud. . . . One who is honest in the highest and fullest sense is scrupulously careful to adhere to all known truth and right even in thought." The antonyms of honest are given by that authority as "deceitful, dishonest, disingenuous, faithless, false, fraudulent, hypo-

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critical, lying, mendacious, perfidious, traitorous, treacherous, unfaithful, unscrupulous, untrue." To these antonyms might be added, with special reference to public honesty, such concepts as selfish, unpatriotic, unsocial; for the individual's conception of his duty to society and to the State has much to do in determining his thought and conduct in public matters and his relations with his Government. Judged by such exacting definitions, most Persians and, for that matter, most Americans and Europeans, would probably be found wanting.

The standards of morality are of course relative. What may seem immoral to an American will be moral to another nationality; what seems immoral to a Persian may be moral to an American. We can make no progress in understanding the Persian, or in working with him, if we ignore his own moral standards, as well as the social and economic conditions that determine his conduct, and if we persist in judging him by the exacting absolute standards of the West, by which the Westerner himself is often weighed and found wanting.

Because of my paucity of information on those points, I do not wish to concern myself here with the private honesty of the Persians, or even, to any extent, with their commercial honesty. With regard to the latter C. J. Wills is quoted in the

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Encyclopædia Britannica as saying: "In commercial morality, a Persian merchant will compare not unfavorably with the European generally."

In the mind of the average Persian, the sense of patriotism and of social responsibility is rudimentary. In the past, he has belonged to a family or a tribe which has seemed to him an almost complete and self-sufficient social and economic organization. He tends instinctively, therefore, to give his allegiance to his family, tribe, or community, rather than to the State. This particularistic state of mind was a marked accompaniment of European feudalism, and existed very recently in Japan. The Persian loyalty to family is no more immoral than the choice made by Robert E. Lee when he decided to serve Virginia against the United States. Even in America to-day, the sense of loyalty to a city or to a family leads often to a mode of thought and action which, judged broadly and objectively, cannot be characterized as "fair," "candid," "free from fraud," or "characterized by openness and sincerity." An American booster who is engaged in the praiseworthy task of "selling" his home town, is frequently a liar, albeit his consciousness of "public spirit" smothers any scruples that might otherwise assert themselves.

When a Persian comes to the Ministry of

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Finance, as thousands do in the course of a year, with some special business,—for example, a monetary claim, a request for the appointment of a brother, a son, or a nephew, a petition for tax-exemption,—too much in the way of candor should not be expected of him. He will ask for favoritism; he is a special pleader for his family or for his own interests; he will suppress some facts and will give to others a favorable tinge.

But those who think they can get things from governments, act in the same way the world over. I am inclined, therefore, in considering the matter of honesty, to dismiss summarily from consideration all of those acts, short of outright bribery and stealing, which occur in the course of their business dealings with the Government.

Moreover, acts that have the appearance of dishonesty in Persia are often traceable to inaccuracy. The Persians lack the training in precise statement that modern science and industry have given to Westerners. Other acts spring from sheer politeness. When a Persian says that the road is good when it is really atrocious, or that it is eight *farsakhs* to Kazvin when it is really twelve, he is not lying; he is merely being polite and pleasant to a stranger. He is no more culpable than an Occidental who is virtually never truthful in his comments to you on your personal appearance.

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It should be kept in mind that, in addition to the family conception of social organization, the Persians have never enjoyed those influences on their standards of honesty which flow from a highly developed political system resting on the establishment and strict enforcement of law or from modern industry with its corporate organization and its exacting human and financial requirements.

In a previous chapter, I referred to the corrupt conditions that existed in the financial administration before the arrival of the American Mission, and it is unnecessary here to describe the myriad and ingenious forms which were assumed by public fiscal corruption. In attacking these conditions, we have acted on the opinion that they should properly be attributed to political and administrative immaturity rather than to any inherent defects in Persian character. When laws were not enforced or did not exist, when ministers were compelled to buy their tenure of office with administrative favors, when public conscience and patriotism were just taking form, when the salaries of employees handling public money were below a living wage, when those having political influence were at the same time the largest taxpayers and the largest claimants, when the Government had been under pressure from foreign interests or thrown into chaos by war, when,



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it is regrettable to have to add, foreigners representing Western governments and Western private interests had not always offered examples and incentives to honest conduct—it is not surprising that corruption should have appeared in Persia, as it has appeared in other countries.

The Persian custom of giving and receiving presents is primarily an accompaniment or expression of hospitality. The members of the American Mission have been offered many presents. Although it is impossible to judge motives which are, from the nature of the case, unexpressed, I feel sure that few of these offers have been tainted with any idea of bribery. It is sometimes difficult to decline a gift without seeming discourteous, but the American Mission is attempting, as far as its power extends, to assist in eliminating from Persian politics the fact and the appearance of bribery. We have wished to impress on the Persians that a high-minded public official expects nothing as incentive or reward except his legal compensation and the satisfactions of service.

Before casting the first stone at the Persians, it may be chastening to recall that only two hundred years ago, Walpole, surveying Parliament, is said to have remarked, "All of these men have their price"; that only a few years ago America was shocked by "corrupt and contented Phila-

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delphia" and by the "shame" of other cities; that at the present time, measured not by the highest but by the ordinary practical standards, there is wide-spread dishonesty among Western peoples, including some public scandals implicating government officials.

It is true that the American Mission, engaged in a work of reform and upholding honest administration, has met with opposition in Persia, but I am convinced that a large majority of Persians have been with us and have favored reform. In any event, political opposition to reform, and popular lethargy in the support of reform, are not peculiar to Persia. Tammany, crushed to earth, has often risen again; and General Butler would probably have found as smooth sailing in Teheran as in Philadelphia.

The Persian is highly intelligent, resourceful, and quick-witted, although in view of the conditions that surround him he has not yet developed constructive ability or the business acumen which comes by experience. Temperamentally emotional, he seldom acts on impulse in important matters. He is essentially more conservative than the average American, and less likely to be changeable in important matters.

Persia needs, of course, the quickening and tonic influence of education and recreation.

The educational institutions and influences of

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the country are at present pathetically inadequate. According to statistics prepared a few weeks ago, Persia has at present 248 Government-supported schools, four municipal schools, 237 private schools receiving government subsidies, 107 independent schools, 47 foreign schools, excepting the American, 225 religious schools, and 983 private classes. In these schools, which total 1851, are enrolled as students 73,998 boys and 17,192 girls, a total of 91,190, of which 22,660 were in Teheran. The total number of teachers is given as 5142, and the total population of the cities and towns in which schools are located is reported to be two million. The American Presbyterian Mission in Persia maintains 31 schools, of which the institution at Teheran enrolls 670 students, 500 of college grade. The graduates of this school show the effects not only of mental discipline but also of character-training, and are living examples of the acceleration that education gives to progress. Many young Persians have been educated abroad, and many more long to be. I am told that there are at least forty Persian boys who want to come to America for a college education and who might come if the American Immigration Law did not, as it is said to do, prevent a foreign student from working his way through college. There are in Persia no public libraries worthy the name; the writing and pub-

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lishing of books in the Persian language is a rare occurrence; and the Persian press, while improving, is still far from being an educative influence. Hope lies, however, in the universal desire of Persians to extend their educational system and in the measures that are being taken to this end.

The development in Persia of a keener and wider interest in physical exercise, recreation, and outdoor sports will contribute to the creation of a more salutary conception of honor and of conduct—the sense of fair play, the habit of teamwork, self-mastery, perseverance, and confidence. It is interesting to note that the game of polo, which originated in Persia, is now played there mainly by foreigners. There seems to be no reason, however, why Persians should not do well in sports, and there is apparent now among the young men a renewed interest in physical exercise and athletic contests. Setting-up exercises are a regular feature of the Persian soldier's day. Football is played every afternoon by Persian boys on the vacant lots near Mokhber ed Dowleh Park.

Music, too, is gaining its proper place in the life of the capital. A Persian musical club gives concerts weekly to its members and their friends, and band concerts take place almost daily on the public squares.

Judged by Western standards, sanitation in

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Persia is far from satisfactory; but, from the standpoint of the physical health of the average individual, health conditions in that country do not appear unfavorable to the development of mind and character.

## CHAPTER V

### PERSIAN POLITICS

**T**HE Persians are politically minded. Their geographical situation and history render international politics a subject of direct and practical interest to them. In spite of anything that they can now do or probably ever could do, they are entangled in international affairs; and at times in the past they have come dangerously close to being strangled by the meshes of the net that circumstances had cast around them. Domestic politics, likewise, are to the Persians a pot that never ceases to boil.

The Persians do not want their foreign administrators to interfere in Persian politics. Three years ago, the Majless passed a law to the effect that every contract for the employment of a foreigner should contain a clause prohibiting him from interfering in political matters; and, in compliance with the spirit of this clause, the members of the American Mission have carefully refrained from the exercise of influence in the election of deputies, the appointment of ministers, diplomatic negotiations on political

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subjects, or any other action of the Government not relating to a financial or economic matter. On the other hand, certain clauses of my contract leave me free and even make it my duty to participate with Persian officials in diplomatic negotiations on financial and economic subjects, and of course I am expected to work in a non-partisan way for the passage in the Majless of financial and economic legislation. It has also, naturally, been my desire that the American Mission, through the example and effect of its presence and work, should contribute to the unification and stabilization of Persia and to its development as an independent self-governing nation.

I went to Persia free of political prejudices and with the firm resolve to be neutral in all purely political matters. I realized quite well that Great Britain and Russia were the two countries with which Persia shared, and would very likely continue to share, the most immediate and difficult international questions. Toward both of those countries, I had, like most Americans, a feeling in general of respect and friendliness; and as an official of the Persian Government, it was neither my inclination nor my intention to exert any influence or take any action which would discriminate against one of those countries in favor of the other, or that might prejudice any

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legal right possessed by either country in Persia. On the other hand, it was certain that the Persian Government did not wish the American Mission to become the tool of any foreign legation in Teheran, or to hesitate in opposing the economic or financial proposals of any legation when such proposals seemed to us to be contrary to the interests of Persia.

With regard to Persian domestic politics, my mind was similarly open and unprejudiced. Although I am a citizen of a republic, my excursions in political science had given me catholicity regarding forms of government, and it seemed to me that a people could realize its democratic aspirations and develop its potentialities quite as well under a constitutional monarchy as under a republican form of government.

The political problems of Persia are of such surpassing difficulty that they should, in my opinion, enlist the sympathy and aid of other countries. Persia is not only a buffer state, having already felt the impact of external forces, but it is also an undeveloped exploitable country which has experienced the operations of modern systems of economic penetration. Immature politically and economically, Persia has suddenly awakened to find itself faced with the demands of an industrial world impatient of inefficiency. Tenacious of its sovereignty, Persia must work



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out its problem of self-government, difficult of solution in any country, while unifying its population, educating its people, and developing its economic possibilities.

When, about 1890, foreign efforts to obtain economic privileges in Persia became significant, the Persian Government of that time—irresponsible, opportunistic, and corrupt—endeavored to keep a balance between the two competing powers and to play off one against the other. As early as 1900, the Shah embarked on a policy of borrowing from British and Russian sources, mainly to make up the deficit caused by his extravagance and by the corrupt and inefficient administration of Persian finances. Finally, as a part of their general rapprochement, Great Britain and Russia signed in 1907 an agreement in which, after mutually engaging to respect the integrity and independence of Persia and stating that they were “sincerely desiring the preservation of order throughout that country and its peaceful development, as well as the permanent establishment of equal advantages for the trade and industry of all other nations,” Great Britain agreed not to seek any concessions north of a line passing from Kasr-Chirin, through Isfahan, Yezd and Kakhk, to the intersection of the Russo-Afghan frontier, and Russia agreed not to seek concessions south of a line extending from the



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COMMANDER-IN-CHIEF OF THE ARMY**



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Afghan frontier through Gazik, Birjand, and Kerman, to Bandar Abbass. The Anglo-Russian Agreement was signed without the knowledge or consent of the Persian Government.<sup>1</sup> Four years later Shuster was employed by the Persian Government. Proceeding energetically to the accomplishment of his task, he soon met with the protests and opposition of the Russian Government, which alleged that the Treasurer-General did not in his official acts sufficiently recognize and respect the special interests of Russia in the north. After a few months, the Russian Government presented an ultimatum to the Persian Government, demanding the dismissal of Shuster, and he departed from Persia, followed by his staff, early in 1912, leaving behind him a tradition which is still strong in the minds of Persian young men, of disinterested and courageous friendship for the Persian people.

The Anglo-Russian Agreement of 1907 was annulled during the World War; but in 1914 Persia was without means to maintain the neutrality which it had proclaimed. Within a year, Russian, Turkish, and British armies were fighting on Persian soil, and German agents were conducting a wide-spread propaganda. There were active fighting, plots, murders, and disorder

<sup>1</sup> For the full text of the Anglo-Russian Agreement of 1907, see Shuster, *Strangling of Persia*, Introduction, p. xxiv.

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throughout the whole country. Western Persia in 1918 was in a state of famine. The trade of Persia came almost to a standstill, and the Government was unable to collect its internal taxes. Subsidies and other advances were supplied by the British. The distinguished and able delegation which Persia sent to Paris in 1919 was not permitted to state its case to the Peace Conference, and no action was taken by the conference toward rendering assistance to Persia.

In August, 1919, an agreement was concluded between the British minister at Teheran and the Persian Foreign Office. In this agreement, the British Government agreed "to respect absolutely the independence and integrity of Persia," to supply at Persian expense "the services of whatever expert advisers may, after consultation between the two Governments, be considered necessary for the several departments of the Persian Administration," these advisers to be "engaged on contracts and endowed with adequate powers, the nature of which shall be the matter of agreement between the Persian Government and the advisers." The agreement also aimed at the supplying by the British Government of officers, munitions, and equipment, with a view to the creation of a uniform force for the establishment and preservation of order. The British Government also agreed to supply a loan and to

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provide at once certain funds on account of it. The agreement further provided for coöperation between the British and Persian Governments for the improvement of communications in the country through railway construction and other means of transport. Finally, it was agreed that a joint commission of experts should revise the Persian customs tariff "to accord with the legitimate interests of the country and to promote its prosperity."<sup>1</sup> Under the terms of the agreement, payments were advanced for several months to the Persian Government; Mr. Armitage-Smith, a British Treasury official, came to Persia as Financial Adviser with a staff of British assistants, and military and naval missions were also sent. When the Majless met, it refused to ratify the agreement; the measures which were being executed under its terms were discontinued; and Mr. Armitage-Smith departed, having been unable during his stay to obtain and exercise any real powers. The British proceeded with the withdrawal of their troops from Persia, and when I arrived at Teheran, discussions were in progress which resulted in the transfer to the Persian Government of the post-offices on the Persian Gulf, which had been administered by the British.

With regard to the present policy of the Brit-

<sup>1</sup> For the text of the Anglo-Persian Agreement, see U. S. Senate Document No. 90, 66th Congress, 1st Session.

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ish Government toward Persia and the American Mission, light may be gathered from a speech by the Earl of Balfour in the House of Lords on May 19, 1925, in which he is reported by the London "Times" to have said that

such information as he had, indicated that Persian finances were in a more favourable condition than were those of many more powerful States. Persia had practically made her Budget meet. The position was in no small measure due to the efforts of the American financial advisers whom Persia had called in to her councils. He had not the least doubt that there had been friction, but those who gave good advice about money were not always the most popular with those to whom the advice was given. [Laughter.] The most friendly relations had always existed between this country and the Sheik of Mohammerah. The Sheik had not been treated by us as a Prince. He had always been under the suzerainty of Persia. With regard to the future movements of the Shah, whom rumour represented as now enjoying himself on the Riviera, he had no official information. He was not disposed to think that it would be either expedient or decorous to ask what the intentions of that potentate might be. Negotiations had taken place last year between various great oil companies, but no settlement had been arrived at. He had no recent official information on the subject. The Anglo-Persian agreement was now ancient history,—indeed, obsolete history,—and there was little use in reviving that controversy now. Nor did he think there was much substance in

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some of the American criticism in which some American critics seem to think that England was behaving or desired to behave in a manner toward Persia which would interfere with the independence of that country. Those critics might be deserving of respect, but they were clearly very ill-informed on the subject of Persia and on the subject of British intentions in regard to that country. The present Government had, and all British Governments had had, one policy in view. We desired to see a Persia which was independent, which was free, and which we could treat as a neighbour on equal terms and whose efficiency, civilization, and power we justly regarded as security for the general position in the East so far as our own interests were concerned. That view is still maintained. We desired the independence of Persia, we desired the prosperity of Persia, and we rejoiced that its independence was secure and its prosperity was increasing.

As Persia has in the past often swung, in her foreign Policy, from Russia to Britain and from Britain to Russia, I shall let George Tchitcherin state the chronology of one of the latest oscillations:

In the meanwhile, the Anglophile Sepahdar set February 20, 1921, as the date for the opening of the Parliament to ratify the Anglo-Persian agreement, and on this date the Parliament was opened. On February 21, Teheran was occupied by the Persian Cossacks of Reza Khan and the members of the government of Sepahdar were arrested. The new cabinet of Zia-Ed-Din, pub-



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lished the declaration of February 26, in which it announced the annulment of the Anglo-Persian Agreement and outlined a broad plan of Internal reforms. On that same day, February 26, in Moscow was signed the Russian-Persian Agreement, which radically and definitely liquidated all of the traces of the former Tsarist policy of oppression in Persia and laid the foundation for a close fraternal relation between the peoples of Russia and Persia.<sup>1</sup>

In the treaty of February 26, 1921, between the Soviet and Persian Governments, the Soviet Government in Article One, declared its "immutable renunciation of the policy of force with regard to Persia pursued by the Imperialist Governments of Russia," and, "wishing to see the Persian people independent, flourishing, and freely controlling the whole of its own possessions," the Soviet Government declared "all treaties, conventions and agreements concluded by the late Czarist Government with Persia and tending to the diminution of the rights of the Persian people completely null and void." In Article Two of this treaty, the Soviet Government further branded "as criminal the policy of the Government of Czarist Russia, which, without the agreement of the peoples of Asia and under the guise of assuring the independence of these peoples, concluded with other states of Europe treaties con-

<sup>1</sup> George Tchitcherin in "Izvestia" of Nov. 6, 1921.

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cerning the East which had for their ultimate object its gradual seizure"; the Soviet Government unconditionally rejected "that criminal policy as not only violating the sovereignty of the states of Asia but also leading to the organized brutal violence of European robbers on the living body of the peoples of the East"; and, therefore, the Soviet Government declared "its refusal to take part in any measures whatsoever tending to weaken or violate the sovereignty of Persia," and declared "completely null and void all conventions and agreements concluded by the late Government of Russia with third powers for the harm of Persia and concerning her." In Article Four, each of the contracting parties agreed to "strictly refrain from interference in the internal affairs of the other party." In Article Eight, the Soviet Government declared "its complete rejection of that financial policy which the Czarist Government of Russia pursued in the East, supplying the Government of Persia with financial means, not in order to assist the economic development and flourishing of the Persian people, but in the form of the political enfetterment of Persia." The Soviet Government, therefore, resigned "all rights to the loans furnished to Persia by the Czarist Government" and declared "such loans null and not to be repaid," similarly resigning "all demands for the use of those state rev-

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enues of Persia by which the loans were guaranteed." In Article Nine, the Soviet Government, "in accordance with its expressed condemnation of the colonial policy of capitalism, which served and is serving as a reason for innumerable miseries and shedding of blood," renounced "the use of those financial undertakings of Czarist Russia which had as their object the economical enfeeblement of Persia," and handed over "into the complete possession of the Persian people, the financial sums, valuables, and in general the assets and liabilities of the Discount Bank of Persia, together with the movable and immovable property of the Bank within the territory of Persia." In Article Ten, repudiating "the tendency of world imperialism which strives to build in foreign countries roads and telegraph lines, not so much for the cultural development of the people as for insuring to itself the means of military penetration," "wishing to provide the Persian people with the possibility of the free disposal of the means of communication and correspondence, vitally necessary for the independence and cultural development of the people, and further, as far as it can to compensate Persia for the losses caused her by the troops of the Czarist Government," the Soviet Government gratuitously transferred, "as the absolute property of the Persian people," the following Russian establishments in

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Persia: the highways from Enzeli to Teheran and from Kazvin to Hamadan, the railways from Djulfa to Tabriz and from Sofian to Lake Urumiah, all properties pertaining to navigation on Lake Urumiah, all telegraph and telephone lines constructed by the Russian Government in Persia, and the port of Enzeli, with its goods, stores, electric power station, and other buildings. In Article Eleven, the two contracting parties agreed that each "shall enjoy the right of free navigation on the Caspian Sea under its own flag."

In addition to the above renunciations and transfers, which appear to have special reference to the acquired rights of the former Russian Government itself, the Soviet Government, in Article Twelve of the treaty, after "solemnly renouncing the enjoyment of economic privileges based on military predominance" declared "null and void also all other concessions, beside those enumerated in Articles Nine and Ten, forced from the Government of Persia by the late Czarist Government for itself and its subjects," and the Soviet Government returned to the Persian Government all such concessions. The Persian Government on its part promised in Article Thirteen not to hand over any of the renounced or transferred concessions to any third state or its citizens but to preserve those rights to itself for the good of the Persian people. Finally, in Article Sixteen of

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the treaty, the Soviet Government confirmed the abolition of the extra-territorial rights which had up to June 26, 1919, been enjoyed by Russian citizens in Persia, placing Russian citizens in Persia henceforth on an equality with Persian citizens, subject to the same laws and amenable to the same courts of justice.<sup>1</sup>

I have made no attempt to give an abstract of the whole of this remarkable document; and with regard to its execution, it will be sufficient to say that the concessions and properties referred to in the treaty, with the exception of some of those relating to the port of Enzeli,<sup>2</sup> some minor appurtenances of the former Russian Bank, and parts of the fishery concession, were duly transferred. In quoting portions of this treaty, it has been my purpose to set forth in substance the most formal and authoritative declaration of post-war Russian policy toward Persia. After reading the document, one can scarcely be surprised that the other party to the treaty should have felt a new sense of security with regard to its northern frontier, and that, without leaning toward Bolshevism, it should have given again its confidence and friendship to its northern neighbor.

Addressing the Executive Committee on the re-

<sup>1</sup> The quotations are from the English translation of the treaty published in the "Manchester Guardian" of Mch. 31, 1921.

<sup>2</sup> This port has been re-named Pahlevi, in honor of the Prime Minister.

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lations of the Soviet Republics with Eastern countries, Mr. Tchitcherin, Foreign Commissaire, is reported to have made, early in March, 1925, the following statement about Soviet relations with Persia :

Our friendly relations with Persia are being strengthened more than ever before. The Soviet Government is endeavoring to assist Persia to stand on her own feet and develop her national reproductive forces, while the Czarist Government tried to prevent the growth of these forces. The maintenance of friendly relations with the Union of Sovietic Republics is useful to Persia in this respect, that in her struggles to bring about reforms and reëstablish her complete political and economic independence, Persia can feel sure of her back.<sup>1</sup>

It would not be appropriate for me to express any opinion regarding what I might conceive to be the real, as compared with the declared, policy of a foreign government toward Persia, or regarding the motives which might impel the declared or real policy. I have referred in a preceding chapter to the negotiations with the Russian Government relative to the tariff, and it will be my duty later to set forth the facts concerning the fishery question, which may be found an interesting touch-stone of Soviet policy. The

<sup>1</sup> Translated into English from the Persian newspaper "Iran" of Mch. 8, 1925, and credited by that newspaper to the "Moscow Wireless," published by the Soviet Legation at Teheran.

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reader, however, will be left to draw his own conclusions.

It is interesting and significant that in discussions of international politics in Persia, the juxtaposition of British and Russian interests is almost invariably premised. If the British Legation favors a thing, it is ipso facto inferred that the Russian Legation is opposed to it, or vice versa. British and Russian interests are generally considered in Persia to be as fundamentally opposed, at least so far as Persia is concerned, as were those of Rome and Carthage. It is of little use to examine the question whether the opposition of the interests of these two powers in Persia may or may not be real and permanent, or whether the resolving of their conflicting interests—if they do really conflict and if they are ever resolved—may or may not spell the doom of an independent Persia. The fact is that Persians remember the years, after 1890, when Persia was the inglorious arena of a politico-economic duel—sordid years of concessions to one power and “compensations” to the other, years of harassment, demoralization, and attrition. During those years, the Persians who were in power—partly because of their corruption and incompetence, but largely, I believe, because of the weakness of their country—bartered with two countries instead of adopting and applying to all countries a sound patriotic policy

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based on Persia's interests rather than on her fears. It is a compliment to Persia that, when the chance came, she adopted and is attempting to carry out a policy nothing less in principle than the familiar doctrine of the "open door." It is perhaps no less complimentary to the foreign governments which have been chiefly concerned with Persia that, when they were brought after the World War to the necessity of readjustments, they should have proclaimed policies with regard to Persia that are, if we accept them at their face-value, compatible with the existence of Persia as a politically and economically sovereign nation, and are equally compatible with the legitimate interests of those governments and their nationals in Persia.

In addition to securing its international position, Persia must, in order to be a nation, develop internal homogeneity and unity.

The bulk of the population of the country is of Aryan stock, but some admixture of other racial elements has taken place, particularly in the frontier provinces.

The chief internal obstacles to national unity have been the strong tribes—the Shahsevans and Kurds in the northwest, the Bakhtiaris in the southwest, the Khashgais in the south, the Baluchis in the southeast, and the Turkomans in the northeast—and the semi-independent position of



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Sardar Aghdass or Sheikh Khaz'al, the Sheikh of Mohammerah, at the head of the Persian Gulf. A strong army was created through the organizing ability and leadership of Reza Khan Pahlevi, and before the arrival of the American Mission, he had subjugated and disarmed the recalcitrant Kurds of Azerbaidjan. In 1924, he extended the power of the Central Government to Khozistan. In 1925, the Bakhtiaris and Khashgais were being disarmed, and the Turkomans were receiving a quick and effective lesson in authority. Persia is becoming a nation. Reza Khan belongs, in many respects, to the class of statesmen of which Henry II of England and Philip Augustus of France were the prototypes. He has supplied the personal and military force which are necessary to establish the authority of the Central Government. A tribal uprising in Persia is no proof of incapacity for self-government. The country is in a well-advanced state of transition from separatism to nationalism, and occasional growing pains are to be expected. As a matter of fact, Great Britain, France, Germany, and Italy likewise had their periods of transition and unification; and even the United States, within the memory of men now living, went through a sanguinary war before it attained national solidarity.

The Persian language, with its Arabic acquisitions, is spoken over nearly the whole of the coun-

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try, the purest Persian being heard in the Province of Fars and in Teheran. Throughout the country there are various spoken dialects of Pahlavi, Kurdi, Turki, Luri, Baluchi, and others that change almost from village to village. A common language makes for national unity; and Persian nationalism has shown its pride of language. In November, 1924, a commission was organized by order of the Prime Minister to find Persian words to replace words of alien origin which were in use in the army; and on March 30, 1925, the Majless passed a law establishing a new calendar in which Persian names for the months were substituted for Arabic.

In religion, Persia is virtually homogeneous. The prevailing and official religion is that of the Shiah branch of Islam. Inhabitants and residents of other religions, however, such as Parsees, Jews, and Christians, enjoy freedom of worship and do not constitute a discordant or unsettling element in the population.

Throughout the territory of Persia, there is a single historical tradition. Persia is not attempting to absorb peoples or territories recently annexed. The present territory of Persia has for many centuries been recognized as Persian. Apart from certain minor boundary rectifications in the northeast, no part of the territory of Persia appears to be claimed by any foreign government,

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and I doubt whether there is any region of Persia or any part of the population which, if a fair plebiscite were taken, would vote for independence or for annexation to another country. The political traditions of her people run back almost unbroken for three thousand years, to the glorious epoch when Persia was a world empire. There is also in the people a cultural unity and a cultural tradition that, although tenuous, contribute to the feeling of nationality.

In general, there are in the population of Persia no apparent differences of race, language, religion, or tradition great enough to complicate seriously the accomplishment of national unity. The principal conditions which retard unification are, in my opinion, the sparseness of population, the mountain ranges and deserts, and the difficulties of internal transportation and communication—all of which have hindered the extension of the political and administrative authority of the Central Government and, economically, have tended to create in various sections of the population, particularly at the borders, feelings of self-sufficiency or of greater commercial dependence on a neighboring country than on the other sections of Persia.

Before 1906, the government of Persia was vested in the Shah, whose power was in theory absolute and in practice limited only by the sanc-





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tions of custom, by the influence and legal authority of the *mujtahids* or religious leaders, by the influence of the foreign legations, and by his own formal acts and those of his predecessors, which, particularly in the case of concessions to foreigners, constituted a restraint on arbitrariness. In 1906, the Persian people forced the Shah to grant a constitution, under which a National Consultative Assembly or Majless was established. An attempt by Mohamed Ali Shah to overthrow the Constitution was defeated and his abdication, in 1909, was followed by the accession of Sultan Ahmad Shah, the present occupant of the throne. With the exception of an unsuccessful attempt by Mohamed Ali Shah, in 1911, to reestablish himself, there has been no effort of any significance to restore absolutism. Meetings of the Parliament were interrupted during the World War, but the fourth Majless was elected and convened in 1921 and after an orderly election, was succeeded by the fifth Majless, which is now in session.

The written Constitution consists of the so-called Fundamental Laws issued by royal farman on December 30, 1906, and October 7, 1907.<sup>1</sup> The principle of constitutionalism is rightly held sacred in the minds of progressive Persians; but, like all constitutions which have to be stretched

<sup>1</sup> For the full text of the Constitution, see Shuster, "Strangling of Persia," pp. 337-355.

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if they are not to be broken, the provisions of this one have taken on in practice a measure of elasticity and tentativeness.

In the Constitution, the powers of the Shah are limited in general to those usually accorded a monarch under the cabinet system of government. The Prime Minister or President of the Council, who is the actual executive, is nominally appointed by the Shah, but really by the Majless. The President of the Council names his ministers and introduces them to the Shah and the Majless. The President of the Council with his ministers constitutes the Council of Ministers, which possesses general executive power, issues decrees for the enforcement of laws, and in the absence of the Majless possesses provisional legislative power. When the Prime Minister loses his majority in the Majless, he resigns with all of his ministers and a new cabinet is formed. In the past, there were frequent changes of government, indicated by the fact that there are at present eight living ex-prime ministers of Persia and that the average tenure of office of Ministers of Finance has been about three months.

From the arrival of the American Mission in Persia to the present time, however, there have been only three changes of government, the present one, headed by Reza Khan Pahlevi, having

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lasted with some changes of ministers from October, 1923.

The Council of Ministers meets three times a week, in a room at the palace. The President of the Council sits at the head of the table, with the Minister of Finance at his right and the Minister of Foreign Affairs at his left. The council has its own clerical staff. Decisions are made and business transacted with despatch.

According to the Constitution, the ministers are responsible to the Majless; they may sit and speak in Parliament and they must answer the questions that are addressed to them by the deputies. A Persian minister is an altogether too busy man. He attends his office at his ministry; he is present at the sittings of the Council of Ministers; he must frequently attend the sessions of the Majless. In addition he has the social responsibilities which pertain to his position and he must also play his part in the politics of the cabinet of which he is a part. It is true that he has an under-secretary who shares certain of his administrative work and who may attend the Majless in his place; but, nevertheless, the manifold duties that are thrust upon him account in part for many of the charges of slowness, procrastination, and inefficiency that are brought against him.

The members of the Majless are elected by uni-



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versal manhood suffrage for a period of two years. A new electoral law is now under consideration in the Majless, and it is expected that it will make substantial improvements in the methods of election. Voting is by secret ballot, but it extends over a period of several weeks, and after the actual voting is completed, the counting of the ballots is for some reason a laborious and time-consuming task. The elections for the fifth Majless dragged through three or four months; and there was an interregnum of several months between the closing of the fourth Majless and the opening of the fifth.

The maximum number of deputies is fixed at one hundred and sixty-two, but the Constitution prescribes that in case of necessity the number may be increased to two hundred. At present, the Majless is composed of one hundred and thirty-five members. The Constitution provides that the deputies shall represent the whole nation, and not merely the particular classes, provinces, departments, or districts which have elected them. Many of the deputies, therefore, unlike the members of the American Congress but like the members of the British House of Commons, are not residents of their constituencies. A distinguished or influential Persian sometimes receives a majority of the votes in two or more districts. Reza Khan Pahlevi, for example, was elected by four

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or five constituencies. In such an event, the deputy-elect chooses the constituency which he desires to serve. Due to the method of election and other causes, a disproportionate number of the deputies are residents of the capital.

In addition to the deputies of Moslem faith, the Jewish, Armenian, and Zoroastrian minorities each elect one representative. While the deputies are nominally elected on a territorial basis, they nevertheless represent roughly the social and economic classes and interests of the country. Thus, there is always in the Majless a large number of mullahs prepared to voice the important religious interest, and a large majority of the deputies—including, of course, many of the mullahs—are landed proprietors. The present Majless comprises also a few newspaper men and one or two physicians and lawyers.

The Majless is housed in a group of well-constructed and commodious buildings which with the beautiful surrounding garden are the special pride of the deputies. These buildings, as they are at present, are a monument to the devoted service of the Zoroastrian deputy, Arbab Khaikosrow Shakrokh, who since the establishment of the Majless, has been continuously the elected manager of its administrative organization.

The chamber of the Majless, with its rostrum, its dais, its ascending rows of seats arranged in

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the form of an arc, facing the president's desk, its galleries, its tastefully ornamented walls and ceiling, its electric chandeliers, and its general dignity, will compare favorably with any of the legislative chambers at our State capitals.

At the beginning of each Majless and at the end of each year the deputies elect from their own number officers and commissions. They usually select for their presiding officer a man distinguished for honesty, dignity, patriotism, and statesmanship, and the present President, Motamen ol Molk, thoroughly exemplifies these qualities. For the election of commissions, the deputies are divided into six sections, each of which chooses one, two, or three of its members, according to the size of the commission. The Budget Commission, the largest and most important, consists of eighteen members. Other commissions are those on Foreign Affairs, Financial Laws, Military Affairs, Justice, Education, Economics, and Petitions. There is also an Initiative Commission whose function is to discuss and propose new legislation. In February, 1924, a committee of twelve, consisting of the leading deputies, representing all groups, was appointed at the request of the Prime Minister to coöperate with the Government in the formulation of important policies. This commission has proved to be a most useful organ, crystallizing sentiment in the Majless and

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bringing about better coöperation between the Government and the Parliament.

The procedure of the Majless is not unlike that of other legislative assemblies. A project of law is ordinarily introduced into the Majless over the signature of the Prime Minister and the concerned minister. It is then referred to the appropriate commission. Projects rarely go through the commissions without amendment. After the commission has acted on a project, it is presented to the Majless by the reporter of the commission. If the Government urgently desires the measure passed, it will ask the Majless for immediate consideration, in which case the bill will be given priority over others on the calendar. Debate on a bill usually starts with a formal speech by a member of the Cabinet or by the chairman of the commission which has reported the bill, followed by a speech from the leader of the opposition. Speeches then alternate for and against the bill. When it becomes the sense of the deputies that the discussion is sufficient, a motion to that effect is made and put, and if it is carried, the debate is closed. The discussion of a bill passes through two stages. The first stage is concerned with the principle of the bill; the second deals with the articles, one by one. During the second stage, deputies may send to the rostrum written amendments which are read by the secre-

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taries. The proposer of an amendment rises in his place and argues for the amendment; the Government, if it opposes the amendment, makes an opposing speech through one of its leaders. A vote is then taken on the amendment. The Government can withdraw a project at any time. The Majless takes its work seriously; its debates are as dignified and orderly as those in the United States Senate; the attendance of the members is much better; and disturbances are no more frequent.

The lack of lawyers in the Majless and in the Government leads to a method in the drafting and passing of law-projects which impresses a Westerner as extremely loose, if not dangerous. Little attention is paid to precision of statement, and the provisions of a law are sometimes vague or self-contradictory. Nevertheless, this feature of a Persian statute does not seem a serious defect; since it is the purpose of the Persian legislator to embody in the statute only fundamental principles and not to endeavor to foresee all possible contingencies which might arise in its enforcement.

The courts of Persia are still inadequate for the development of law. There is a judicial system, established according to the Constitution and a statute enacted by the Majless, but there is much criticism of the courts for alleged incompetence,

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corruption, slowness of procedure, and subservience to political and personal influence. The highest court of the country declared a few months ago that there was no penal law in force. Many Persians appear to prefer arbitration to recourse to the courts. Persia has produced at least one eminent jurist in the person of Zoka ol Molk, the present Minister of Finance, who has served with distinction as Chief Judge of the Supreme Court.

The body of Persian law is of two classes: the religious law, based on the Koran and administered by the mujtahids and mullahs, and the common law, based on custom.

The civil courts take cognizance of both branches of the law, and for the usage of the courts the law is in process of codification by French lawyers.

The weak point in Persian jurisprudence, at its present stage, is with regard to the sanctions of law. Persians too often look upon a law as merely a pious wish. The reasons for this state of affairs are not far to seek. The Persian is not vindictive; the official class, in which violations of the public law are most likely to occur, is bound together by ties of family relationship and personal acquaintance; due to social and economic conditions, which have been previously mentioned, the honor of the State seems less precious than the

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family. Accordingly, breaches of law sometimes occasion superficial indignation but are usually followed by forgiveness.

As the power of the executive becomes permanent, as industry grows, as the appreciation of national unity and governmental efficiency impresses the value of uniform rules, the substance and the apparatus of law also will develop. There is not, in Persia, any universal ignorance of the meaning and value of law. There are many Persians who have a thorough grounding in the history and theory of European law; others are profoundly versed in Mohammedan and Persian law; these and others understand the need for a better legal régime. Neither is there in Persia an absence of law in its broad sense. The soil from which law grows appears to exist. There is respect for authority and a marked tendency to observe precedents. The people are conservative, peaceable, and essentially law-abiding, and there is probably less of the spirit of lawlessness in Persia than in Western countries. There is little disorder and there are few private crimes and misdemeanors. Further improvement is bound to come from the desire to achieve the accepted evidences of nationalism by abolishing the capitulatory rights of foreigners. Financial reform, also, will not only raise the moral tone but encourage independence and integrity on the part of the

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judges by providing them with adequate salaries.

According to Persian constitutional theory, the Majless is the depository of sovereignty in the State; and in practice the Majless asserts successfully its claim to supreme power. As the guardian of the Constitution and the fundamental institution of representative government, it is rightfully jealous of its prerogatives.

In their infancy, the parliamentary institutions of the West were based on class- and interest-representation. They were intended primarily as organs for giving the approval of the taxpaying classes to the revenue proposals of the executive. It was centuries after their origin that they first attempted statutory legislation, and it was still later that they began to prescribe the rules of administration. They were intended as places to talk, to *parler*, rather than as organs of direct authority. As a result of their fiscal control, they developed the power of setting up and overthrowing governments, of making laws and supervising administration. At the end of a long chapter of history,—in which parliaments were virtually synonymous with liberty itself,—they began to lose prestige and to experience changes.

Throughout the Western world, parliaments are now on the defensive. They tend to abdicate their initiative in legislation; with regard to administration they tend to confine themselves to



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powers of criticism, supervision, and veto; the modern budget has reduced their control of expenditures to a mere veto, and with regard to revenues the tendency is to give the executive a greater flexibility of action and more discretionary power. It will be interesting to see, therefore, whether or not the Persian Parliament—one of the youngest—will avail itself of the lessons of history and avoid the errors of other parliaments. A country in the stage in which Persia finds itself, needs, obviously, a strong executive. An assembly cannot be at the same time the executive. The Parliament should be the organ of public opinion. It should control the executive without hampering it.

The signs in the political skies of Persia which give hope regarding the success of its parliamentary experiment are the following: The Persian Parliament consists of a single house, which, is not unwieldy in number. It enjoys in general the confidence of the people. It is dignified, deliberate, and conservative. It tends to do too little, rather than too much. It is on the whole progressive and on economic matters sound. It leaves to the executive the initiation of legislation and confines itself mainly to laying down the general principles of law, leaving their details to administrative regulations. It is not capricious in its interpellations and votes of confidence. It ad-

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heres faithfully to the fundamental principles of the budget—namely, that all proposals for expenditure should originate with the executive and that no item of expenditure should be increased by the Parliament.

In developing as an organ of public opinion, the Persian Parliament is hampered by the fact that there is in the country no public opinion such as we know in the West. The masses of the people are illiterate and inarticulate. The newspapers are improving, but they are still inadequate as organs to mold and express opinion. Persians, however, show an intense interest in news, and it is astonishing how quickly rumors rise and spread among the people. In Teheran there are at least twenty false rumors to one true one. Opinion, discussion, and group political action, however, exist. Speeches on political subjects are made to the people in the mosques, in the bazaars, and at meetings in private houses. Societies are organized for the discussion of particular public questions. At one stage in the history of the American Mission, a number of the finance disponibles were organized and held regular meetings and undoubtedly made their influence felt on the Government and in the Majless. Lobbying is practised. The most common means of bringing public pressure to bear on the Government, however, is through the practice of bast.

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The Persian Constitution was granted after the people had taken bast in the British Legation—that is, congregated there, refusing to leave until their demands had been granted. Landowners who believe that they have been dealt with unfairly by the tax-assessors take bast. For weeks a number of claimants against the Ministry of Finance have been taking refuge in the Majless. Unemployed men have threatened to come to my home and stay there unless I gave them jobs. Bast, at least when it is directed against Persian officials, is one of the most powerful and effective means of protest. The most potent, however, is probably the closing of the bazaars. The strike also is used, but chiefly by government employees. In general, the Persians have a marvelous aptitude for passive resistance and passive protest.

In Western countries, governments function and public opinion is expressed through political parties. In Persia, there is an almost complete absence of political parties in the Western sense. There are various groups in the Majless, but these groups do not extend outside the Majless and, except for their parliamentary leaders, they have no organizations. In the elections, the candidates are personal; they do not represent parties; they are not nominated by party machinery. The so-called “parties” in the Majless, which are merely fluctuating groups of deputies

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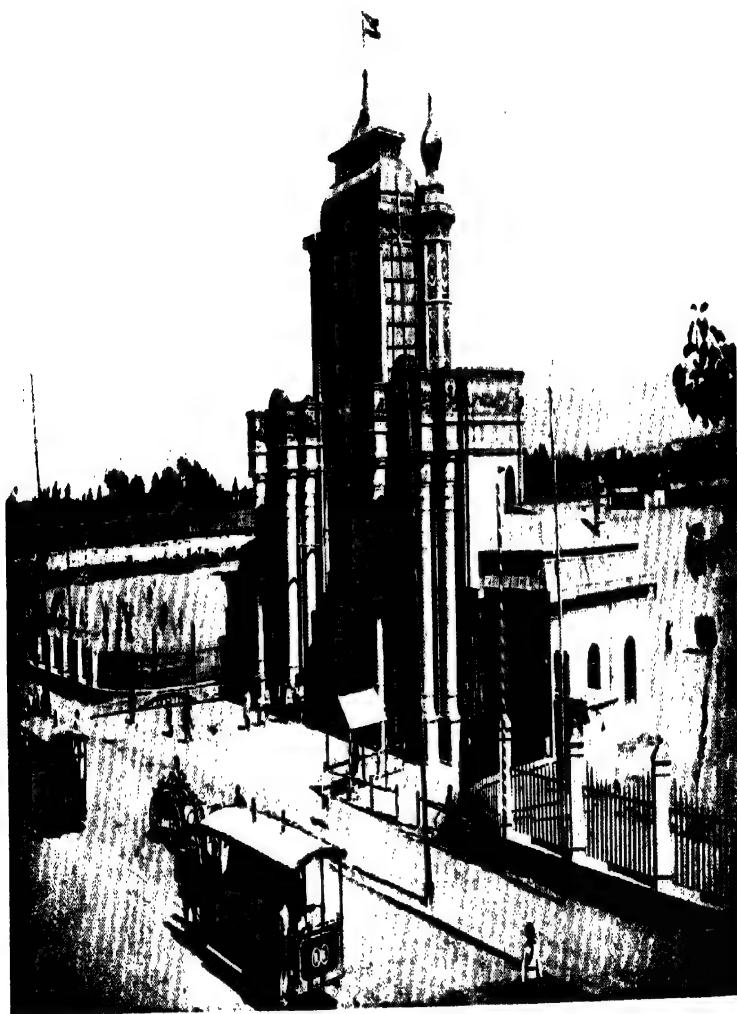
working together temporarily, are numerous, short-lived, and constantly changing in membership. The supporters of the Government and the deputies of the Opposition are not clearly differentiated. In October, 1924, the groups in the Majless were: the *Tajaddud* ("Renewal"), which was the majority group consisting of twenty deputies; the *Azadi-khâh* ("Liberal"), twenty-three members; the *Mellioun* ("National"), seven members; the *Takamol* ("Evolution"), sixteen members; the *Gheyam* ("To Stand"), twelve members; the recognized opposition deputies, numbering thirteen; and the so-called Independents, who have similar ideas but are supposed to act individually, eighteen in number. There were also a few deputies who were apparently unattached. During the following months, realignments took place. It was reported in the press on March 4, 1925, that a number of deputies had decided to resign from the various groups to which they belonged and form a new group to be called *Taraghi-khâh* ("Progressive"), and it was reported on April 8, 1925, that ten deputies had formed a new group to be known as *Ettefagh* ("Union").

While there is no clear differentiation among Persian politicians on the basis of principles,—no alternating duel between conservatives on the one hand and radicals, liberals, progressives, or

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laborites on the other, as in the United States and Great Britain,—there are in Persia, nevertheless, certain fundamental political ideas which are rallying points and which may eventually become the issues which will divide the people and the deputies into real parties. There is, for example, the idea of nationalism, which is at present potent in Persia. Around this idea gather those who want a unified, independent self-governing Persia, independent of foreign governments. This idea carries with it the desire for strong government and progressive economic policies. Those Persians who adhere to the idea of nationalism are likely to support in principle the American Mission and any other political institution or policy which makes for progress.

The mullahs or religious chiefs, of course, have been and will be for some time a factor to be reckoned with in the social and political development of the country. They are, from the nature of the case, leaders of opinion; they are strong in the Majless; they exercise a powerful influence in the administration of education and in the law courts; they have certain recognized legal functions, such as the attesting of deeds and other documents. Whatever the social effects of their influence may be, I have found from experience that they are not hopelessly reactionary in eco-



NEW GATE OF ARMY DRILLING-GROUNDS AT TEHERAN



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nomie and financial matters. The recognized leader of the mullahs in the Majless is Modarres, who was recently elected First Vice-President of the Chamber. Modarres has the reputation of caring nothing for money; he lives in a simple house and garden unfurnished except for rugs, books, and benches. He wears the beard and simple clothing of the old Persian, and, a scholar among Persians, he speaks no foreign language. Meeting him, one cannot fail to be impressed by his simplicity, directness, and common sense. In his public acts, he is consistent and courageous. At heart an apparently sincere Persian nationalist, he has often said to me: "I am not interested in the little details of administration. Talk to me only of the big things, and if you show that you are doing big things, I am with you."

The general religious thought of educated Persians is distinctly liberal. Although I have made no studies which would equip me to discuss the religious institutions of Persia in their relation to Persian politics and economics, it is worth remembering in this connection that, whatever may be the situation in Persia, the Western nations, with few exceptions, have had to deal in the course of their development with authoritarianism and powerful priesthoods.

The position of women in Persia constitutes an inhibition by custom and conservatism of a tre-



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mendously vital political and social force. The place of woman is considered to be in the home, and she ordinarily has no social intercourse except with the women of her acquaintance and with her immediate male relatives. When appearing in public, she is completely shrouded in a *chuddar*—a black covering which conceals her head, face, figure, and dress. She lives with her children in the *anderun*; her husband meets his friends and callers in the *birun*, which is usually a separate and smaller house. She marries early, sometimes as young as eleven or twelve, the marriage, if custom is followed, being arranged by the parents of bride and groom. She rarely goes about in public with her husband. It has not been my privilege to meet and talk with Persian women: they have no part in the official or social life to which I am admitted, and they are not generally employed in the public administrations, although they serve as teachers in the girls' schools and as police matrons. I have no reason, however, to suppose that they are less intelligent or capable than the Persian men. Among Persian men, I have never heard any talk of the inherent inferiority of women. I do not know whether or not Persian women are contented with their lot, but certainly there are no public manifestations of discontent on their part. They are clearly not "emancipated" like Ameri-

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can women, but the women of Persia are potentially, and they have proved themselves in the past to be actually, a powerful influence for good politically. At the present time, they have progressive ideas and purposes. They organize societies, and a certain evolution is said to be taking place in their customary costume.

Polygamy is not generally practised or approved in Persia; and it is probable that if the legal and social facts were fully set forth, it would not figure as a recognized institution at all. There is doubtless as much sentiment in Persia against indiscriminate marrying and loose sexual relations as there is in Western countries,—possibly more,—and it would be extremely difficult for a Westerner with facts available for a fair comparison on this subject, if he were honest with himself, to place the Persian on a lower moral plane than himself with respect to sexual morality or the sanctity of the family.

Of the administrative branches of the Government, the most important and significant is the Ministry of War, which is headed by Reza Khan Pahlevi and which has jurisdiction over the army, the *Amnieh* (Road Guards), and the police of the city of Teheran. The regular army is stated to enroll forty thousand men. It is recruited partly by individual volunteers and partly by soldiers furnished by the villages in proportion

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roughly to the size of the village. The military forces are entirely Persian in personnel. The army officers, in many cases, have been trained in foreign countries or under British, Swedish, and Russian officers, while the police force was organized and was until 1923 under the direction of Swedish officials. The army is equipped with motor-trucks, a few armored cars, tanks, and aëroplanes, and has a high-power wireless station at Teheran, with branch stations in the provincial centers. While the army is neither organized nor adequate for aggressive purposes, it is, to judge by its accomplishments, well adapted and efficient for the maintenance of order within the country. There is a uniformed police "force" in all the larger cities, the police of Teheran comparing favorably with police organizations in other countries. The Amnieh or Road Guards are stationed along the highways and keep them so safe that automobiles run at night on the northern roads and there is little banditry in any part of Persia.

Persia, for purposes of administration, is divided into twenty-six provinces, which are governed by governor-generals, who in many cases at present are military officers of high rank. The provincial governors are directly responsible to the Central Government and come under the jurisdiction of the Ministry of the Interior. The

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cities and towns are in general governed by municipal commissions. The last vestiges of the ancient satrapal system of local administration are rapidly disappearing in Persia. For a long time after its forms had vanished, its spirit remained; for governors and financial agents bought their jobs and preyed on the people for their compensation. Administrative services, such as the post, telegraphs, mint, and the collection of various taxes, were farmed out. As a result, administration became local and personal and there were no uniform regulations applying to the whole country. To-day, modern and uniform principles of administration are becoming universal. In reacting from the ancient methods of oppression, there has possibly been a too great tendency toward centralization. The Constitution provides that throughout the empire provincial and departmental councils (*anjumans*) shall be established, the members of which shall be elected by the local inhabitants; and legal provision has already been made for the election of rural and town councils.

## CHAPTER VI

### USING STRANGE TOOLS

**H**AD Wells's "First Men in the Moon" been the advance-guard of a foreign financial mission employed by the ant inhabitants of our satellite, their experiences would have been indeed exciting. They would doubtless have had to use curious mechanical antennæ, calendars as different from ours as the hour-glass or sun-dial is from the clock; and what troubles they would have had with their piping insect interpreters! A twentieth-century American going to Persia carries an equipment of language, script, calendar, nomenclature, and habits of work; but these, unluckily for him, are not those to which the Persians are in general accustomed. He must learn other ways of working. He must not only adapt himself to the psychology of the people, their social life, and their political institutions, but also consciously and continually guard against a hundred possibilities of error and misunderstanding which arise through the employment of unfamiliar tools and instrumentalities.

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The difference in language is a serious one. I have yet to enlist as a member of the Financial Mission an American who can speak or write the Persian language. It is not, however, a difficult language to learn to speak. Mr. Pearson and Mr. Flannagan in a few months made encouraging progress toward mastering the spoken language. It contains few inflections, and rolling from the tongue of a cultured Persian, it delights the ear with its sonorous measured cadence. The script, which runs from right to left, resembles in appearance tightly written American shorthand, and except after painful study it is as impenetrable as a jungle. Persians pride themselves on the correctness of their speech, but they pride themselves still more on legible and beautiful handwriting. A page of Persian written by a good scribe is as artistic as a medieval manuscript. The line is kept scrupulously straight except for a graceful upward curve at the left and abounds in shadings and delicate tracery. So compact is it, that it covers usually not more than one third of the space of the equivalent in English.

If the Persians had not been linguists, or if they had not shown their cosmopolitanism before we came, by the acquisition of foreign languages, our task would have been not merely difficult but impossible. Almost all Persians in official life, including thousands of subordinate employees in

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the administrations, speak, read, and write French. Hundreds of them know English in addition to French, and many have an excellent command of our own tongue. Of the more distinguished public men, Motamen ol Molk, the President of the Majless, Zoka ol Molk, the Minister of Finance, and deputies such as Hossein Khan Alai, Arbab Khaikrosrow, and Taghi Zadeh, speak excellent English. Others speak it well enough to carry on conversations without an interpreter. There are also, of course, numerous Persians with a knowledge of Turkish and Russian and some who are acquainted with German. A few of the members of the American Mission speak French; but in the main, our chief reliance in conversations with Persians, other than those who understand English, has been on English-speaking Persian interpreters.

Each of the Americans—with the exception of Major Hall, who uses French—has a staff of young Persians engaged in translating and interpreting. I have in my own office a Persian secretary named Merat, a Persian typist named Khalil Meskin, and a staff of interpreters, translators, and copyists headed by an active youth named Ettesami. With the exception of two or three copyists, all know English. In addition, I have for my more important conferences and correspondence, and particularly for the translation of

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my quarterly reports, an able Armenian Persian of middle age, named Mirzayantz, who has seen service in the Majless, who enjoys an exceptional acquaintance and a high reputation among Persian patriots and politicians, and who speaks Persian, Armenian, French, and English. Afshar, who in the beginning was chief interpreter, spoke Persian, English, French, Turkish, and Arabic. Most of the English-speaking Persians received their education in the American School at Teheran and gained with the language something of the American conception of honor and hard work. It is no discredit to the other Persians who are associated with us, to state that it is the increasing group of English-speaking Persians, most of them young, who have been our indispensable assistants.

To say that the Persians are good interpreters is to pay them a compliment, for interpreting demands to the utmost an alert intelligence, tact, and resourcefulness. An interpreter cannot, like a translator, thumb the pages of a dictionary. He must have two vocabularies at his tongue's end, and he must not only be able to put English words into Persian words or vice versa but also know the delicate shades of meaning that you put into words, and, too, the spirit that goes into the speaking of the words. The interpreter should convey exactly in one language what you seek to



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convey in another, and should do it in the same tone, whether of cordiality, formality, coldness, emphasis, or anger. A first-class interpreter will accurately sense your mood and purpose, often, perhaps unconsciously, punctuating his interpretations with the emphasis, gestures, smiles, and laughs that you have added to your remarks.

It is a tribute to the character of the young Persian to add that the instances in our experience where an interpreter or translator has attempted to misuse his peculiarly responsible position are so rare as to be virtually negligible. There was at first a natural and rather wide-spread feeling, particularly among those who had met with disappointment in their conversations and correspondence with us, to charge their failures to our Persian interpreters or translators, accusing the latter of keeping letters from our sight or of suppressing or coloring essential portions of conversations. Charges have been made, also, that some of our interpreters and translators were secretly intriguing with the enemies of the American Mission, and were deliberately putting our words into discourteous Persian phrases in order to set our friends and the public against us. In my opinion, after the application of careful checks, these charges appear to be ninety-nine and forty-four hundredths per cent. untrue. As an example of the feeling of our correspondents on

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this score, I quote below a routine English translation of a letter received in my office from one having a claim against the Administration of Posts:

### ADMINISTRATOR GENERAL OF THE FINANCES:

I beg to say that you have said, in reply to the petition of 14/7/03 through the administration of accounts under No. 18604 dated 29/7/03, that you will inquire about my demand from the Government transportation and then will answer me. In 10/6/2 and 26 Safar 1342 I petitioned concerning this fact. You have written under No. 12771 that after investigating and getting information from the Ministry of Posts and Telegraphs you will answer me. Now I am for fifteen months idle and it is nearly eighteen months that my money is by your order suspended and myself distressed and suffered damages. Is it fair to vex and annoy God's slaves? We are like a bug whose abode is ruined by a dew. I can find no sin or fault with myself save that I have rendered service to my own Government in such a way that the Post should not be detained. After four months of idleness and spending one hundred tomans in the center, they answer that I have to wait until the order for payment should be issued by you. O! Sir! O, my master! I have neither Noah's age, nor the Koran's treasure, nor Job's patience. I helplessly solicit you to command that the Ministry of Posts and Telegraphs should order the administration of Governmental transportation to pay my just demand for eleven hundred tomans and a fraction. By all the saints and by your

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own honor and conscience, order them to pay my money, so that I too, should pay my creditors and in the commencing winter be free from the misery of strangeness and return back to my own nativity and, with a family of twelve persons, pray for you. Command is your Command,

MOHAMED HUSSAIN OF ISFAHAN,  
Resident in Kermanshah  
without food and clothes.

*(In caravanserai of Seka Bashi, O God, death or salvation! If the translator does not translate this petition in full, word for word, he may be cursed by God and execrated by the apostle, so that Dr. Millspaugh should peruse it and be informed of this miserable affliction.).*

Another correspondent, also with his eye on the translator, added the following:

May I be sacrificed to you: though it is unreasonable emphasy but I request that this letter should be perfectly translated that you might favor one of your kind too. Please excuse me for this remind.

It is the chance of honest error, not the intention to misinterpret or mistranslate, which constitutes the problem. For months we had an amicable disagreement with the Minister of Finance over the meaning of a certain provision of the Civil Service Law. Finally, we were forced to recede from our position when we found that our English translation of the clause contained the word "salary" when the Persian word should

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have been translated "pension." Many errors in translation are merely mistakes in spelling. A letter may be addressed to the "Costumes" Administration, but we send it to the customs, not to Paris; and when a Persian translator speaks of "passports and their vices," we agree from experience that visas have little of the quality of virtue. The chances of honest error are high. It is difficult at the best for an American, with an intellectual apparatus of American make, to convey his ideas to another person, who may be equally intelligent but who has a mental equipment of different origin and different operation. Most of the technical words in the vocabulary of modern science, industry, banking, and commercial law are unknown to the Persian and have no equivalents in the Persian language. For example, the expression "and/or" used in a proposed concession was impossible of translation into Persian and tended to obscure the meaning of the whole document; and much correspondence and some expense were caused by our failure in drafting a circular to explain clearly the difference between "accounting" forms and "accountable" forms. Persian interpreters and translators, moreover, have in many cases merely a book or school knowledge of English without much understanding of the idioms which are the living flesh of our language or of the abstract

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words which clothe our reasoning. On the other hand, curiously enough, some Persians speak and write better in English than they do in their own language. I have been dazed by hearing from a Persian, "So-and-so in your office knows English, but he does n't know Persian."

I am told that Persian is primarily a literary language; and when the polite and poetical phrases are omitted, it strikes one as awkward, incorrect, or discourteous. Young men are disposed sometimes to be a little impatient of lingual adornment and to give our blunt American business phraseology a too-literal Persian translation. For example, I wrote a letter at one time in which I ventured the opinion that the Budget Commission of the Majless had pursued a short-sighted policy. In the Persian of my letter, a word was used for "short-sighted" which invariably gives offense to Persians; and to make matters worse, this word appears to have been applied to the members of the commission rather than to their policy. Accordingly, interpretation and translation not only retard the routine work of administration but also consume the additional time and energy required for explanations and corrections.

According to the law and my contract, all official books, records, and correspondence in the financial administration must be in the Persian

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language; but, to reduce so far as possible errors and misunderstandings, we have all the outgoing and most of the incoming correspondence translated into English and keep in the files both the Persian and the English; many of the important letters which I address to the Prime Minister, the ministers, or the deputies are written and sent with the English and Persian in parallel columns; we have cautioned our translators and interpreters to put the meaning of the English into courteous literary Persian; and we have ourselves taken care to speak and write in simple, clear English, avoiding legal circumlocutions and technical financial expressions. On the whole the gap between the two languages has been bridged with fair success; and the use of an interpreter has at least one advantage: it gives time to think during a conversation.

That translation difficulties are not peculiar to the American Mission, is shown by the following excerpt from a Teheran newspaper:

We are informed that certain differences were created in the translation of the treaty between the Russian and Persian Governments from French to Persian language and now the matter is under discussion between the Russian Legation and the Ministry of Foreign Affairs. We wonder how it has been signed.

Much of the discussions with the Russian legation concerning the fisheries turned on the word

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“exploitation,” which occurs in the Russian text but not in the Persian, while the treaty says that both texts shall be of equal authority.

With regard to quantity of correspondence, Persian administrations handle as much paper as any bureau at Washington, with probably less red-tape, and their filing systems are efficient. Persian ministers appear to have felt in the past that government records were their private property, and they acted accordingly—with, at times, disastrous results to the Government. At present, however, government documents are better safeguarded. Many valuable records regarding taxation and accounts are still in the hands of the old mostowfis, who in most cases were honest and experienced but who considered their fiscal records as much their private property as a lawyer or a physician does his own library. Labor-saving office devices are of course less necessary where labor is cheap, and I have seen in Persia no adding machines, cash registers, or other mechanical appliances which are common in American offices. There are to my knowledge no Persian stenographers, and all of the American members of our mission have worked for more than a year without stenographic assistance. The proceedings of the Majless are taken down by a group of four young men who write by turn in longhand; one starts when the leader touches







**HIS IMPERIAL HIGHNESS, THE VALIAHD, CROWN PRINCE OF PERSIA**

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him on the shoulder and writes rapidly to the point at which the signal is given to another. A number of typewriters, operated by Persian typists, are in use, and some of them type in the Persian language. Since our arrival, the few printed forms that were then in use have been increased in number, until now financial reporting and other routine operations are conducted by the use of appropriate forms. We have introduced the indelible pencil and carbon paper in the preparation of duplicates.

The telephone system in Teheran is well installed and well conducted from the business standpoint, and the service, which is now somewhat slow and exasperating, promises improvement. The habit of calling your party by name instead of by number causes some confusion. Telegraph wires connect all of the principal points in Persia, and telegraphing is cheap. The fire-hazard in Persian cities would appear to be serious; there is no fire-proof construction and there are, except possibly in Rasht and one or two other places, no fire departments. The Ministry of Finance building burned seven years ago, and the destruction of a part of the archives on that occasion has embarrassed us somewhat in the handling of old cases. Fires, however, are not frequent in Persia.

It is a common remark that time means nothing

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to an Oriental; but an American working in Persia soon learns the falsity of this generalization. Time in Persia means a working knowledge of at least three calendars. Furthermore, when the Persians see something wrong with their own official calendar, instead of talking about it interminably, they change it. The American Mission in its official functioning has followed the Persian solar year, beginning with Now-Ruz (New Year's Day), which falls on the first of Farvardin according to the new Persian calendar and on March 22 according to our calendar. The Arabs are said to have introduced into Persia the lunar year, consisting of three hundred fifty-four and one half days and beginning on the first of Moharram. The length of the lunar month varies from twenty-nine to thirty days, and the months are movable according to the phases of the moon. In 1923, the first of Moharram fell on the fourteenth of August; in 1924, it fell on the third of August. The religious feasts and holidays are determined by the lunar calendar and are likewise movable. Both the Persian solar year and the Arabic lunar year date from the Hejira of Mohammed in 622 A.D.; and accordingly, when we arrived in Persia in the fall of 1922 of the Christian era, we found ourselves in the solar year 1301 and the lunar year 1341. The fiscal year, fortunately, corresponds with the calendar solar year. Another pe-

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culiarity of the solar chronology is that the years not only are numbered but have also been given, in cycles of twelve, the names of animals. When we arrived in Persia, we were near the end of a cycle, the year 1301 being It-Il, the Year of the Dog. The following year, 1302, was Tangouz-Il the Year of the Hog; the next was Sitchghan-Il, the Year of the Rat; and the present year is Oud-Il, the Year of the Ox. Other years in the cycle are named after the leopard, hare, whale, serpent, horse, sheep, monkey, and chicken. This cycle of years is said to have been introduced into Persia by the Mongols, and the years so named are called Turkish years.

The Persian months, twelve in number, are supposed to correspond to the twelve signs of the Zodiac. Up to Now-Ruz, 1304 (i. e., March 22, 1925), the months bore Arabic names; but some weeks previously, in accordance with the nationalistic trend, a number of deputies had submitted to the Majless a bill for changing the names of the months from Arabic to Persian and making certain changes in the length of the months. On the last day of March, the Majless passed the law, which legalizes the Persian solar year beginning with the Hejira and provides that "the year-counting method being incorrect, beginning with the approval of this law the Turkish names which have been customary in previous calendars shall

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be annulled." According to the new calendar, the months are as follows: "Farvardin, Ordibehesht, Khordad, Tir, Amordad, Shahrinar, Mehr, Aban, Azar, Dei, Bahman, and Estand." The first six months have thirty-one days each; the next five, thirty days; and the twelfth month, twenty-nine days, with an additional day in leap-years. By abolishing, in this law, the twelve-year cycle with its year names, the Majless took a step which will preclude much confusion in the records of the Government as well as in private transactions.

The Persian week is of seven days, and the Persian day is, according to the clock, precisely the same as ours. I say "according to the clock," but the Persian's day is regulated less by the clock than by the rising and setting of the sun. This fact is an important consideration in fixing the working hours in the government administrations. Formerly, there had been in the ministries a single forenoon session in the summer and a two-session working day during the remainder of the year. A two-session working day, however, requires a two-hour intermission for luncheon, because Persian Government employees, having no quick-lunch counters or cafeterias to go to, ordinarily take their meals at home, and generally they live at a distance from the ministries. To avoid this intermission and to enable the employees to save the midday carriage fares to and from their

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homes, the subordinate employees and many of the high officials have favored a one-session day the year round. The Persian habit of rising with the sun, however, requires that the beginning of their working day shall be at least an hour after sunrise. Accordingly, our working day has become almost as movable as the feasts and mournings.

There are many holidays in Persia. In addition to every Friday, which is the Mohammedan Sabbath, the calendar for the present solar year, 1304, shows twenty-five holidays. In addition to the numerous religious holidays, the Persians celebrate Now-Ruz, the birthday, accession, and coronation of the Shah, and the anniversary of the Constitution.

When the Persian refers to an "evening" of a certain day, he is likely to have in mind, as we do in speaking of Christmas Eve, the evening *before* the day. On one occasion Mrs. Millspaugh hired a juggler to come to the house on Thursday evening to entertain some dinner guests. To our surprise, he came on Wednesday evening.

The climate of Persia creates no serious difficulties in administrative work. The offices are airy, the temperature in the summer does not get high before noon, and one who dislikes drafts and whirling papers is thankful that electric fans are not procurable. Most of the Persian officials and

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foreigners, including all of the legations, go at the end of May to summer homes at the foot of the Elburz Mountains and return to the city early in October. Eight or nine miles from Teheran, picturesque villages nestle among the foot-hills and cling to the lower slopes of the mountains. The "up-country" gardens in these villages are delightfully cool, and in the past some of the administrations have been transferred bodily from the city. At the worst, the heat in the city during July and August is not extreme and is probably no worse than in New York or Washington.

The system of weights and measures in Persia has been neither uniform nor exact. The ordinary unit of weight is the *batman* or *man* of Tabriz, equal to 6.495 pounds or 2.946 kilograms. Two other batmans have been in use, the so-called batman of the Shah, equal to two Tabriz batmans, and the batman of Rey, equal to four times that of Tabriz. The *kharvar* is equal to one hundred batmans. The unit of measure is the *zar*, of which the one most commonly in use is about forty-one inches. The *farsakh* of six thousand zars, approximately four miles, is theoretically the distance that can be walked by a horse in one hour. One of the first acts of Reza Khan Pahlevi, when he became Prime Minister, was to order the formation of a commission to establish a uniform system of weights and measures. The new sys-

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tem which has now been proposed by the commission, is based on the metric system and will eliminate the confusion which has formerly existed. The units of currency are convenient, the *toman* consisting of ten *kran*s and the *kran* of twenty *chais*.

A source of much confusion, which has now, happily, been removed by the progressive action of the present Government, existed in the names and titles which were borne by Persians. Not long ago family names were unknown in Persia; and individuals were usually called Reza, Mohamed, Ahmad, Hossein, Ali, Abdullah, and their variations, any one of which was more common in Persia than our familiar John, George, James, or Charles has ever been in America. When a letter was signed Mahmoud or Hassan, therefore, it was often difficult to tell, without investigation, which of a dozen individuals had written the letter. The titles granted by the Shah had served to some extent to remove the confusion; but the titles also bore a similarity one to another, and in some cases the same title was given to two or more persons. Accordingly, the Government some time ago provided that every Persian must take a family name. When we arrived in Persia, there were Persians who were known by their individual names only, a larger number known by family names, and a host of others known only by



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their titles. The word *Khan*, formerly a tribal title, has become universalized in Persia and is found in the names of virtually all Persians high or low. The title *Mirza*, preceding a name, indicates an educated person and most of the government employees are Mirzas; but following the name, *Mirza* signifies a prince of the royal family, while *Zadeh* in that position has the same connotation as the suffix in Johnson or the prefix in McDonald. A *Seyed* is a descendant of the Prophet; a *Haji* is one who has made the pilgrimage to Mecca. To a stranger accustomed to American family names, the use of titles as names seems of slight value in distinguishing one person from another, particularly as the Persian of the titles bore in some cases a striking similarity; for example, Nassir ol Molk, Nasr ol Molk, and Nassir os Saltaneh are three prominent Persians of different families. In addition to numerous civil titles, there were also a number of military titles. Parliament, therefore, in its session of May 5, 1925, passed the following law:

ARTICLE I. The National Consultative Assembly hereby annuls the following military titles and ranks: Sepahsalar, Sepahdar, Sardar, Sepahbod with or without a supplement—Emir-Nouyan, Emir-Touman, Emir-Panj, as well as other titles that are followed or pre-

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ceded by words such as Sepah, Lashgar, Jang, Salar, Nezam and Emir.

ARTICLE II. No titles such as those stated in Article I shall hereafter be granted.

ARTICLE III. All civil titles shall, after three months from the date of passage of this law, be annulled.

Official ceremonials constitute a pleasant interlude in our work. The foreign employees of the Government appear with the Persians at official receptions, at the ceremony of opening the Majless, at the Shah's reception at Now-Ruz, and at the Court *Salaams*; and at most such times we wear over our frock-coats the *djobbeh*, a decorated robe with long, loose sleeves, and the *kola*, the ordinary black cap of the Persians.

Naturally, an official of the Persian finances receives many communications, written and oral, ranging from dignified and scholarly presentations of fact to petitions which would be amusing if they did not also touch the heart. I have received more than one petition from peasants which, for lack of seals and signatures, have been subscribed by thumb-impressions in ink. Many such communications carry between the lines a social or economic implication or a bit of human interest no less important than the intended message of the letter. I shall close this chapter by quoting exactly a letter of application written by

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a Persian in English. It is not given in any sense as a typical piece of Persian correspondence, but it illustrates fairly well a phase of our experience as well as a phase of Persian life.

YOUR EXCELLENCY:

This statement which it will kiss your honorable knee and lap, it is send from one old Pupiles of your scool in Teheran, who had been once an orphan having nothing in the world except God. His highness guide me to you little by little by good wish and kindness of your kind nation I became prosperous instructed and educated. I know today English, medicine and Persian languages pretty well, so that which I have, I have from unlimited gracious and mercy of American people, therefore I am in debt to them through the close of my life, praying to God, to bless them, make them successful in their service, increase their spirituality, and subvert their bad wishers, and place most of nations under your authority and control like unto us.

My lord, I am sure in these few months you have understand much more than ourselves about our poverty, wretchedness, and miserable condition, our present position dejected me so much that I quit my medical practice, obligely and with more difficulty I earn my daily bread by teaching [English] to the poor people of Resht. Your heartily witness will satisfy and content you the truth of my talk, God knows with a heart full of love and hope I desire to be received with you to your honorary service and serve you honestly as Interpreter or [secret explorer] at tributary office in Resht or

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Teheran or elsewhere, Hope your high position will not deprive me of this request as others did at the beginning. With complete humility I trust to your humanity and kindness.

## CHAPTER VII

### GETTING DOWN TO WORK

**T**HE present chapter will carry our story to the premiership of Reza Khan Pahlevi, beginning in October, 1923. During this period of about ten months there were three governments—those headed by Ghavam os Saltaneh, Mostowfi ol Memalek, and Muchir ed Dowleh—and four ministers of finance—Fahim ol Molk, Nasr ol Molk, Baha ol Molk, and Zoka ol Molk. The fourth Majless, which was in session on our arrival, came to an end on June 22, 1923. The elections of the new deputies occurred in the summer and fall, but the fifth Majless did not open until January, 1924.

During most of this period, the American Mission was at its full strength. Conditions in the Ministry of Public Works, however, required the presence of an American, particularly for the supervision of expenditures on the roads. Mokhber os Saltaneh, the Minister of Public Works,—who was friendly to us,—agreed to the transfer to that ministry of Mr. Mitchell, who is a civil engineer with experience in road-construction, to

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act as Director of Roads. A little later, the entire organization in the Ministry of Public Works devoted to the collection of road tolls was transferred to the Ministry of Finance.<sup>1</sup> In the late summer, Dr. Bogart, who had been employed for one year, returned to America, and Mr. Early, on account of illness, terminated his services. The American experts for the administration of Teheran municipality, through the untimely death of Dr. Ryan, also had virtually ceased to function.

From the start, due to the decreasing number of the mission and to the addition of new services to the Ministry of Finance, the Americans have been forced from time to time to take on more and more work. Not one of my colleagues has ever demurred, although in a few months the burden that they bore was fairly staggering.

The frequent changes of government tended to complicate our work. After the government fell, it was days or even weeks before its successor was completely formed and introduced to the Majless. During this time, we had no Minister of Finance, and although the under-secretary took the minister's desk, he was not clothed with the power of approving expenditures. The passing of a prime

<sup>1</sup> Upon the transfer of Mr. Mitchell to the Ministry of Public Works, Mr. Early became Director of Indirect Taxation, and Colonel MacCormack, along with his other duties, became Director of Direct Taxation.

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minister or a minister of finance meant a period of partial paralysis.

Nevertheless, we were able to proceed without interruption to the reorganization of the financial administration. Numerous transfers were made for the purpose of centralizing functions and responsibility. In addition to the customs agents on the frontiers, there had been, in general, two sets of finance representatives in the provinces: the financial agents in charge of disbursements and general collections, and the indirect-tax agents, reporting directly to the Administration of Indirect Taxation. The latter were now incorporated into the financial agencies, and the same action was taken somewhat later with regard to the alimentation agents. After the departure of Mr. Early, in the fall of 1923, all the branches of the ministry having to do with the collection of internal taxes or other sources of revenue, were consolidated into the Administration of Internal Revenue, and Colonel MacCormack was appointed director of the new administration.

The first ten months saw, on the whole, steady progress in our work; but the "honeymoon" of the mission was soon over.

Opposition was of course inevitable, and it arose first in connection with questions of personnel. In its contract with me, the Government had agreed to follow my recommendations regarding

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the appointment, promotion, transfer, demotion, and dismissal of employees in the Ministry of Finance and its various branches, and in the fiscal offices of the other ministries. The several ministers of finance gave me much helpful advice, but they never refused to follow my recommendations; and the responsibility for all such matters settled, of course, on my shoulders. The personnel with which we had to deal shaded into various classes: the active employees who were apparently honest and competent; those who were apparently dishonest or incompetent; the disponibles who had good reputations, and the disponibles who had in Persian parlance "spotted" dossiers. Many whose competency or honesty might be questioned had powerful friends or powerful enemies, while a few, for one reason or another, could be appointed or dismissed without causing a ripple outside the ministry. The Persians who were interested in our success took pains to impress upon us the extreme importance of selecting good men for our assistants, and those who advised us usually had from one to a score to recommend. Many Persians expected to see us inaugurate an immediate and general housecleaning, while others, indifferent to the personnel in general, expected the appointment of their friends and the dismissal of their enemies. From the beginning it was our intention to deal



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with each personnel case on its merits, to disregard in appointments and dismissals any considerations of the personal or political influence of the candidate or of his friends or enemies, and never to act in such a matter solely on the recommendation of any one, even the Prime Minister, a minister, or a deputy.

We included in the Civil Service Regulations a clause prohibiting the employees of the financial administration from participating in politics; and when the elections were begun, we issued a special instruction warning the financial agents that they must not use their administrative powers for or against any candidates. There were numerous complaints, however, that financial agents and tax-collectors were interfering in the elections; and we had to be wary in handling these complaints, because in some instances they appeared to be prompted more by a desire to escape the payment of taxes than to preserve the non-partisanship of our civil service. The following, for example, signed by four names, was published in a Teheran newspaper:

We, the undersigned, swear, and beg you to publish our declaration, that, at the time A. B. was Minister of Finance, the regions were sold. For Example, Shahroud was sold for Ts 370 to C. D. and in return he has obtained about three thousand tomans from the people by force and now . . . he has sent out men to get votes.

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Two of his men are working in the town and two others in the villages. Any place that gives more votes is free from payment of *khanevari*. O God! King! Dr. Millspaugh! Should not we farmers have freedom to elect our own deputies? We leave our houses and flee to Estrabad . . .

Setting out to determine for ourselves the actual merit of various Persians whom we had never previously known, we naturally acted slowly and disappointed most of those who were in any way interested in personnel. As soon as I was satisfied that an employee was unfit, I recommended his removal if there were a better man, unemployed, to take his place—scrupulously refraining from any inquiry regarding the family or political connections of either man. In making dismissals and appointments according to this plan, I was of course acting contrary to all the accepted rules of the political game; and it was not long before I had stepped on several very sensitive toes and two or three well-populated hornets' nests. For example, an influential cleric wrote me in effect as follows: "You have in the last few weeks dismissed my son and my two nephews, in fact all the members of my family who were working in the financial administration. Why do you show such enmity toward my family?" With this particular patriarch, I had two hours of discussion one morning before going to my office. I tried as

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best I could to mollify injured feelings. Frequently, I could cite a budgetary deficiency or an administrative adjustment that compelled the dismissal; in many cases there were specific charges of misconduct which required suspension and trial. In all cases, however, I pointed out that were the mission to act according to family or political influence, the conditions in the Ministry of Finance would be precisely the same as before our arrival, when the head of the ministry had been subject to influence. Particularly difficult were the cases of those who were too old for active employment or who were honest but lacking in energy or technical fitness. It was difficult for those concerned to grasp the idea that, while aiming to be just, we were cold-blooded exponents of efficiency, not benevolent patrons of an old men's home. At the end of a few months, we had removed or transferred most of the financial agents and many of the other employees and had appointed a number of the best disponibles; and as soon as it dawned on the employees that we were seeking merit and were not moved by political or personal considerations, the morale and work of the employees became noticeably better.

There was a question whether or not the under-secretary was legally an employee of the ministry and covered by my contract. The under-secretary had no lack of information and energy,

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but, irrespective of the question of precedence, which had not been settled, he did not appear to be wholly sympathetic toward our purpose to exercise our full powers.

When I discovered, therefore, that he had ordered the Customs Administration, without my knowledge or approval, to release about four hundred thousand tomans' worth of cotton held by the Government to guarantee the debt of a bankrupt firm, I recommended his dismissal; and in his place the ministry appointed on my recommendation Mirza Mohamed Ali Khan Farzin, who has served continuously since—an honest, experienced, and capable financial official who as parliamentary under-secretary is particularly effective when defending financial projects of law in the Majless.

The disponibles, due to budgetary limitations, could not all be appointed. A number of them organized, started newspaper propaganda against the American Mission, brought pressure to bear on deputies, and intrigued with our enemies. The Civil Service Law provided for the payment to all disponibles of a percentage of their last salaries. During the first year, there was no provision in the budget for this expenditure, and our refusal to make the payments naturally tended to increase the bitterness of the disponibles against us.

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The Civil Service Law, which was passed soon after our arrival and which took effect on the first day of 1302, brought down on our heads a double load of work and criticism. The law classifies employees into nine grades and fixes a minimum and maximum salary for each grade. The minimum salary of the first grade is thirty-two tomans a month; the maximum salary of the ninth grade, three hundred and twelve. Provision was made in the law for the subaltern employees, those receiving less than thirty-two tomans, who constitute about one half of the six thousand employees in the financial administration. Since it was impossible at that time to re-classify the employees according to the work that they were doing, we fixed their grades and salaries to correspond as closely as possible with the salaries that they were then receiving. Absolute justice was out of the question, and there was, naturally, much dissatisfaction.

The Constitution prescribes that the construction and regulation of the budget of the Government shall be subject to the approval of the Majless, and that the budget of each ministry shall be completed during the latter half of each year for the following year and shall be ready fifteen days before Now-Ruz. The General Accounting Law prescribes that each minister must send his budget to the Ministry of Finance during the first

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three months of the year, and that the Minister of Finance, after centralizing all the ministry budgets, and adding the estimates of revenue, must send the completed budget to the Majless during the first days of the second half of the year, to be approved by the Majless, at the latest, fifteen days before Now-Ruz. In my contract, I was given authority to prepare the government budget; but in view of the existing constitutional and legal provisions, it appeared that my budgetary duties began when the ministers had submitted their estimates to the Ministry of Finance. Although I arrived in Persia in the eighth month of 1301, the Majless had not yet passed the complete budget of that year, and the ministry estimates for 1302 were not yet available. Fahim ol Molk, however, had already requested the various ministries to prepare their estimates of expenditure for the next fiscal year. After our arrival, a commission was immediately appointed in the Ministry of Finance to prepare estimates of revenue for 1302; and from the start, I insisted on a balanced budget—i. e., that the estimates of expenditure should not exceed the estimates of revenue.

The making of our first budget was a hurried and a hit-and-miss affair. There was no budget office in existence. The constitutional and legal provisions, regarding preparation and passing of

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the budget, while fairly good in principle, had never in practice been observed. The accounts of expenditures were incomplete and threw little light on the needs of the ministries. We had no time to make the necessary investigations. We therefore submitted to the Government our estimates of revenue and our suggestions, based on the budget of 1301, of the amounts that might be allotted to the various ministries in the following year, leaving to the ministers themselves the itemization of their expenditures. Our experience with the budget would have taught us—had we not guessed it before—that official human nature is much the same in Persia as in other countries. The ministers threw up their hands in horror at our allotments. They pleaded the absolute necessity of increased appropriations, and the impossibility of dismissing employees for the sake of economy. All accepted the principle of a balanced budget, but each expected other ministers to do the pruning necessary to strike the balance. When the question of the budget became urgent, the Prime Minister was Mostowfi ol Memalek, a gentle, lovable individual, who had preserved through a long public career a distinguished reputation for sagacity, integrity, and patriotism. He was in sympathy with the purpose of the American Mission and genuinely desired financial reform, but, like any one else in his

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place, he hesitated to dictate to his ministers or to take decisions which would result in the dismissal of employees, or might in any other way alienate political supporters. Finally, however, the Minister of Finance and I discussed the matter in the Council of Ministers, and after some changes here and there which satisfied most of the ministers, the budget showing a balance between revenues and expenditures was sent to the Majless.

The Chairman of the Budget Commission of the Majless was Soleiman Mirza, an experienced parliamentarian, and its reporter, Firouz Mirza, a highly intelligent scion of an influential family, who was the generally recognized leader of the majority in the Majless. The budget proposals were handled by the commission with businesslike despatch, and were approved by the Majless without substantial change. Our first budget was surprisingly workable. The receipts approximated the estimates; with respect to expenditures, no supplementary credits were required; and at the end of the year the deficit was small compared with that of the previous year, and there would have been no deficit if we had not made large payments on arrearred obligations.

For the more effective control of expenditures, we prepared and submitted to the Majless a project of law for the establishment of a Treasury-



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General which should be one of the coördinate administrations of the Ministry of Finance. This law, passed by the Majless on February 25, 1923, provides that the Treasurer-General, until the termination of my contract, shall be designated by the Administrator-General of the Finances and must be an American official. The Treasurer-General is charged with receiving and centralizing all government revenues; and he is permitted to disburse funds only upon requisitions which in the first place shall have been certified, with regard to their legality and budgetary credits, by finance officials having no connection with the Treasury-General, and in the second place shall have been signed by the Minister of Finance and myself. Penalties are provided in the law for failure on the part of any revenue-collecting official to deliver his receipts.

Upon the enactment of this law, Mr. McCaskey was designated Treasurer-General and Mr. Gore was appointed the principal officer to pass on requisitions. When the organization of the new administration was completed, the Minister of Finance and I ceased to sign checks. Thereafter, disbursements were made, except for petty payments, by checks on the Imperial Bank of Persia, over the signature of Mr. McCaskey, on the authority of requisitions signed by the minister and myself, previously certified by Mr. Gore. The

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financial agents were instructed by the Treasurer-General to remit all collections to the center and arrangements were made with the Imperial Persian Bank, as the depository of all public funds, to handle these remittances without charge.

When the Administration of Indirect Taxation was returned to the Ministry of Finance, we learned that its budget for the year had already been exceeded, and we therefore suspended further payments to that administration until credits could be obtained. Receiving no salaries, a group of the employees threatened to strike, but we let them know that if any employee quit work he would be summarily dismissed. Although strikes have since occurred in other ministries, there have been none in the Ministry of Finance.

A large part of the debts due the Government by Persians took the form of tax arrears. Our delay in pressing for the collection of these debts was criticized as due to lack of energy or courage, but it was deliberate. The records were in confusion and we wished to be sure of the facts before taking action. Moreover, it seemed advisable to get the routine work of the administrations in good running order before undertaking to make up for the shortcomings of the past. Finally, we wished to convince all Persians—particularly those delinquents against whom we must proceed—that we were acting fairly and thought-

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fully, that we were carefully controlling the expenditure of all moneys collected, and that we intended to use in the general interest such control as we had over the public funds. Measured by Persian standards, the delinquent taxpayers were not bad men. None of them, probably, had lost many friends or much repute by reason of failure to pay taxes. A Persian landowner could scarcely be blamed for dodging taxes at a time when the public revenues were wasted and when the Government was giving the people a negligible return in public service.

One of the delinquents was Sepahsalar Azam, an aged grandee, a former Russian protégé, and a prime minister in the time of Shuster. When approached with regard to the payment of his arrear taxes, he invariably expressed complete willingness to pay, but advanced substantial counter-claims against the Government. We offered him a settlement involving an immediate cash payment, the balance to be paid in instalments over several years and to be secured by the revenues of his villages. Finally, in the early summer of 1923, having made no progress in our negotiations, we went to Reza Kahn Pahlevi and asked for his assistance. Armed with his promise of support, we made a final appeal to Sepahsalar. Finding him as obdurate as ever, we ordered the financial agents to seize his properties. This action

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brought him to time, and an agreement for a settlement of his debt was entered into with him. This agreement took into consideration his counter-claims and gave him the privilege of paying in instalments.

Having settled with Sepahsalar Azam, we next proceeded against the powerful Bakhtiari khans, and succeeded by much the same methods in reaching an agreement with them. In the meantime a circular had been issued to the financial agents, instructing them to proceed vigorously to the collection of all tax arrears due in their districts, laying down the simple general rule that each year a taxpayer in arrears should pay an amount on arrears equal to his current taxes. As the army made progress in pacifying the tribes and bringing rebellious local leaders under control, we established new sub-agencies and took steps to collect the current and arrear taxes. In Azerbaidjan and Khorassan, Mr. Jones and Major Hall were proceeding with success along the lines laid down in the center. The agreements relative to tax arrears have been in the main carried out with no great difficulty.

The collection of taxes was vital to our success; but I am certain that we should have failed in this regard,—in spite of the energy, tact, and resourcefulness of Colonel MacCormack's direction of the Internal Revenue Administration,—had it not

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been for the existence of a strong army and the willingness of Reza Khan Pahlevi to coöperate with us. The Minister of War had the statesmanship to perceive that, with respect to the collection of taxes, the interests of the army and of the Ministry of Finance were identical. As Minister of War, he was in a position to disregard the political influence of the taxpayers. Even in the numerous cases when it was unnecessary to call on him for direct assistance, the public knowledge that his power was behind us was sufficient, usually, for the collection of the taxes.

Successful in the collection of arrears, the Administration of Internal Revenue had also made progress toward bringing system into the collection of current taxes. In my sixth quarterly report, I published a list of twenty forms which had been adopted, covering virtually every feature of internal-revenue administration.

In the summer of 1923, however, we reached a crisis in the collection of the opium-tax. Opium cultivated in Persia was subject to the ordinary land-tax, or ten per cent. of the net share of the proprietor. According to the Persian law, all opium for smoking is subject to banderoling, for which is charged a tax of 672 krans a batman. In addition to the banderole tax, there were also collected manipulation fees, warehouse charges, transport charges, and customs duties on im-

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ported and exported opium. The above taxes and charges presuppose effective control of the opium industry by the Government; and it had been the effort of the Government to exercise its control by centralizing in government warehouses, under the supervision of government inspectors, the preparation of the opium for commerce. In the year before our arrival, only twenty per cent. of the opium sap produced in Persia had been brought under this necessary control. In other words, almost one half of the opium had been contraband and had largely escaped taxation. The most important of the illicit transactions consisted of smuggling within the country, for local consumption. The smuggling business was highly organized, as is shown by the fact that in 1923 one smuggling transaction was discovered in which the contraband stuff was guarded in transit by one hundred and fifty horsemen. It was clear to us that the extension of opium centralization, difficult as it might be, was imperatively necessary in order to increase the revenues and to establish a measure of government control over an industry which public sentiment condemned and which must eventually be restricted.

Isfahan, the center of opium-cultivation, had thus far escaped centralization. Even when the Ministry of War was collecting the indirect taxes, it had tried and failed in Isfahan. Conditions

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there presented peculiar difficulty. Out of a population of approximately eighty thousand, there were at least five thousand who gained all or a large part of their income through the commerce in opium. These included opium-peddlers, brokers, bazaar traders, commission and export merchants, packers, porters, coppersmiths, and the manipulators of stick and cake opium. If we assume an average of three dependents, which is low, it will be seen that at least a fourth of the entire population of the city was largely dependent on the opium trade. The above figures, moreover, do not include the opium-cultivators resident in or near the city. The wide diffusion of the trade and the multitude of small transactions increased the difficulty of centralization. During the harvest, peddlers and small storekeepers, who have advanced goods on credit to the peasants during the year, go to the villages and secure their payment in opium sap. Occasionally, at this time, gifts of sap are made to the village mullahs; and the village barbers and carpenters are paid for their services in the same medium. As soon as the gathering of sap begins, thousands of venders of small articles and sweetmeats go out from the large towns and barter their wares for sap, in the poppy fields. Dervishes, story-tellers, beggars, musicians, and owners of performing animals go from one field to another, and are rewarded or

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given alms by having the flat side of the opium knife scraped on their palms, or on the small bowls carried by the dervishes. These itinerants sell their accumulations to traveling opium-buyers, who also purchase from the peasants. When it is realized that there may be easily from three to five thousand strangers in a single area during the harvest season, each with opium sap in his or her possession, the difficulty of centralizing the entire crop becomes apparent. As most of these people depend on their gains, during this season, for a considerable portion of their annual income, the hardships imposed on them by complete centralization may also be conceived. When the proprietors and peasants are required to place all their sap in the warehouses as soon as gathered, thousands of these more or less legitimate middlemen are deprived of their occupation.

Early in 1923, we had instructed the financial agent of Isfahan to prepare warehouses and to establish centralization, but he immediately encountered opposition. Hundreds of people took bast in the telegraph office and wired protests to the Government; demonstrations took place in the streets; peasants were brought in from the country; armed resistance seemed likely. After despatching to Isfahan a tax expert who telegraphed to me advising that we should yield to the Isfahan opium merchants, I sent Colonel MacCormack,



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who, except for instructions to remove so far as possible the legitimate grievances of the people and to stand firm on the principle of centralization, was given a free hand to work out, on the ground, a solution of the problem. He found the city in a turmoil, peasants demonstrating in the streets, the financial agency paralyzed and ready to surrender, and armed resistance threatening. The Government feared serious trouble, but I was completely confident that it could, if it would, overcome the opposition. Accordingly, I submitted to the Council of Ministers a telegram from Colonel MacCormack in which he stated that he had put into effect various measures designed to remove the legitimate grievances of the people, and asked for an assertion of the authority of the Government. The Prime Minister, who was then Muchir Dowleh, and the Minister of War took the wise and strong course. The former telegraphed the governor to coöperate with Colonel MacCormack, and gave the people to understand that the Government had no intention of yielding; the latter ordered the military commander at Isfahan to use military force, if necessary, to keep the peace. There was for a few days some rioting in the streets of Isfahan and five peasants were killed; but, due to the firmness displayed by the Government, the centralization of opium in Isfahan was for the first time successfully instituted.



AMERICANS IN *djobbhe* and *kola* AFTER THE OPENING OF THE MAJLESS, JANUARY 29, 1924. FROM LEFT TO RIGHT, MR. MCCASKEY, DR. MILLS-PAUGH, AND COLONEL MACCORMACK



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Following our victory there, centralization was carried out in other regions, and at the end of the year two thirds of the opium-production of the country had been centralized in government warehouses, with a satisfactory increase of revenue as compared with the previous year.

This affair, which recalls to mind the famous "Whisky Rebellion" in American history, was one of our decisive battles. Had we or the Government yielded, the prestige of the American Mission, as well as that of the Government, would have been seriously impaired; resistance in other quarters and with respect to other matters would have been encouraged; and the efforts to establish throughout the country respect for the authority of the Central Government would have received a serious setback. After experiencing centralization, the proprietors and peasants, as they came to realize that they were receiving the profits which formerly went to middlemen, were less opposed to our policy; and in the following year we encountered no serious difficulty with regard to opium-collections.

Concurrently with our tax-collection efforts, the development of our work in other directions had presented difficulties and aroused antagonisms. We set out to enforce the financial laws, including the new Treasury-General law; and the examination that we gave to requisitions and the restric-

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tions that we placed on payments led to an endless succession of complaints or differences of opinion. Mr. Gore, as Director of Accounts and Audits, did not court popularity, and, no respecter of persons himself, he earned the wholesome respect of all Persians by his strict, impartial adherence to the law. Appeals were made to me daily on the ground that Mr. Gore was "creating difficulties" by his interpretation of the laws; but on investigation, I found, in virtually all cases, that Mr. Gore had been right and that the "difficulty" existed in the law itself or in the idea of some claimant that we could stretch the law to meet his particular case. But with regard to the large claimants, we could do nothing during the first year except complete the dossiers.

We also encountered difficulty in the application of the Treasury-General law to the Ministry of Posts and Telegraphs. In the past, as I have explained in a previous chapter, that ministry had paid its expenses directly from its revenues. The Treasury-General law prescribed, however, that all government revenue should be covered into the treasury and no disbursements should be made except out of funds procured by requisition on the Ministry of Finance. Some of the officials of the Ministry of Posts and Telegraphs, notably the under-secretary who headed the political machine in that ministry, had reason to object to any

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scrutiny or pre-audit of their expenditure. Apart from their real reasons, they alleged that observance of the law would lead to delays which, in the case of the salaries of technical employees and the purchase of forage for the horses used in mail transport, would result in administrative demoralization.

We undertook also to centralize the purchase of government supplies. With the execution of the budget of 1923-24, we established a General Supply Section under the direction of Mr. Gore, in which was centralized the purchasing of all the civil supplies of the Government. Through standardization of equipment, prevention of overcharging, repair of furniture, and the execution of contracts for large quantities by public bidding, we effected economies and reduced opportunities for graft; but incidentally we incurred the hostility of the supply officers, merchants, and others who had profited from the loose practices that had existed in the past.

The summer of 1923 witnessed a more or less concerted and wide-spread attack on the American Mission, from the elements that were affected by our reforms. A few of the less important and more venal newspapers launched a campaign of persistent and scurrilous misrepresentation, partly purchased propaganda and partly blackmail. In these articles we were generally criti-

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cized as incompetent and stubborn bunglers, who by ill-considered action had thrown the finances into chaos. Beyond an occasional retort in my quarterly reports, we thought it best to meet these attacks with silence. We were sure that a large majority of the best Persians were with us; and that the attacks were the vocal repercussion of reform measures which, whatever the opposition might be, could not have been postponed or abandoned; and we had no doubt that with the support shown by the Prime Minister and by the Minister of War, the mission was in no serious danger. Thanks to the coöperation of the Imperial Persian Bank, we made payments pretty regularly, particularly to the army, and we also found time to contribute a little to economic development and public welfare.

We insisted that the subsidies to the Urumiah refugees in Teheran should stop, and made arrangements to pay their travel expenses back to their homes. All of the refugees eventually left Teheran, and it is presumed that most of them returned to their homes. At the same time, we obtained a credit from the Majless for the relief of the devastated districts. Mr. Dunaway was sent to Urumiah, and made loans to the landowners to the amount of about fifty thousand tomans for the purchase of oxen and seed and the repair of buildings. Later, when we had reached

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an agreement with Toumaniantz Frères for the rehabilitation of their business, we recovered the sum of about fifty thousand tomans which had been deposited with them, and distributed that sum likewise in the devastated regions.

We likewise controlled the expenditure of funds contributed for the earthquake-stricken region of Torbat; the repair and construction of public buildings was resumed; we proposed a loan-service institution to save needy people from the grip of loan sharks; we undertook campaigns against insect pests; we contributed so far as possible, in a variety of ways, to agricultural relief; the regularity of payments heightened the morale of the school-teachers, the public, the sanitary services, and other branches of the Government.

Foreign questions necessarily remained more or less in abeyance through the year. Little could be done with regard to foreign protests against the navaghel; and, through no fault of the Persian representatives, the discussions with the Soviet Legation on the tariff, which began in June, 1923, came to naught. The question of the northern oil concession and the proposed ten-million-dollar loan in connection with it, was clarified through the acceptance by Sinclair, with some modifications, of the terms fixed by the Majless. The fourth Majless, at the very end of its session in June, 1923, had passed an act authorizing the



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**Ministry of Finance to negotiate a loan of five million dollars with American banks, but no active steps were taken for the flotation of this loan. A flurry in international relations was created in August, 1923, by the expulsion of a number of Persian mujtahids from Iraq.**

## CHAPTER VIII

### GATHERING CLOUDS

**I**N October, 1923, there was a marked clearing of the political atmosphere. The government of Muchir ed Dowleh fell; Reza Khan Pahlevi became Prime Minister; the Shah departed again for Paris; and Ghavam os Saltaneh, former Prime Minister, after a quick settlement of his personal affairs, left for France.

I shall make no attempt to set forth or interpret the feelings, fears, rumors, intrigues, or intentions that motivated or were alleged to motivate events. It will be sufficient for the purpose of my story to call attention to the significance of the central fact—the assumption by Reza Khan Pahlevi of the premiership.

As he explained it in simple words to me, he had seen that other governments had been unable to do anything for the country and he had resolved to devote his power and his energies to the task.

Since 1921, he had been the one man in the country whose strength had rested on a foundation more solid than the shifting sands of politics.

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Theoretically, it seemed a distinct advantage, therefore, that the personal authority which had hitherto been indirectly exercised should now be squarely placed in its appropriate constitutional position, and that the responsibility which had hitherto been obscured by that of prime ministers and shared with other ministers should now be clearly and officially concentrated in the person who appeared at the time most capable of effective popular leadership. There seems little question that Reza Khan Pahlevi possessed not merely the devotion of his army but also the confidence of the people. He was the natural rallying-point of nationalism; he was the logical leader and therefore marked to bear the symbol of leadership; he was the best hope of the country. Through much of the apparently artificial and insincere acclamation that greeted his accession, sounded a genuine note of popular approval and enthusiasm. Soon after his elevation to the premiership, a reception was given him in Teheran at the house of a wealthy merchant, Moin ot Tojjar. Addresses were presented to him, poems were read, fireworks and illuminations lit the eager faces of the throng in the garden outside; but through it all the new Prime Minister seemed modest and serious. All of his statements on such occasions were patriotic and statesmanlike. He continued to transact business at his simple

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office in the Ministry of War and at his house, which is one of the least pretentious in Teheran; the Council of Ministers moved to the palace in order to give its former quarters to the Ministry of Public Works, a change dictated by considerations of convenience; the ministers, electrified by their unique leadership, began to work as Persian ministers had never worked before; every one was inspired by the idea that big things should and could be done for the country.

The citation of a few of the early acts of the Prime Minister may point the direction that his thoughts were taking. He instructed that the elections should be hastened in order that the Majless should meet as early as possible; he formed a commission to report a uniform system of weights and measures; on his orders all of the beggars were summarily removed from the streets of the capital and lodged in a municipal institution; he issued a proclamation denouncing as unbecoming and unpatriotic the practice on the part of Persians of frequenting the foreign legations for advice with regard to the internal affairs of Persia; he gave forty thousand tomans from the reserve fund of the Ministry of War for the purchase of buildings for a new national university.

In refutation of wild rumors that he would appoint military officers as his ministers, he selected

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only two; Khoda Yar Khan, to whom fell the Ministry of Posts and Telegraphs, an administration that was clearly in need of an iron hand, and Amir Eghtedar, Minister of the Interior, who at Isfahan had rendered valuable assistance to the American Mission. For the Ministry of Finance, he selected Modir ol Molk, a civilian politician, who had already served as Minister of Finance and of Foreign Affairs, and who was at the time Colonel MacCormack's assistant in the Alimentation Service. Zoka ol Molk, a distinguished jurist, then Minister of Finance, became Minister of Foreign Affairs. Soleiman Mirza and Moazzed os Saltaneh took charge of Public Instruction and Justice respectively. Ezz ol Memalek, then an inspector of the Ministry of Finance, was named Minister of Public Works.

The change in the official position of Reza Khan Pahlevi naturally tended to complicate his relations with the American Financial Mission. He was now in politics as he had never been before; and in politics, one must listen to complaints, placate opposition, and extend favors to those who possess influence. Formerly Reza Khan Pahlevi had been in much the same independent and neutral position as that of the American Mission itself. Any unpopularity occasioned by our financial measures or by giving support to them was likely to fall on the Government rather

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than on the Minister of War. Now, when the Minister of War was also the head of the Government, there was grave danger that the Samson who had supported us should be eventually shorn of his strength by the Delilah of politics. When he was only Minister of War, our work concerned him chiefly as it affected the functioning of the army. As Prime Minister, he must perforce be concerned with the budget, with taxation policy, with alimentation, with the payment of claims, with the Bank-i-Iran, and with a thousand matters of detail which, as they were brought within the range of his impulsive, direct, and decisive mentality, inevitably created a first impression that the finances were disorganized, that we were slow and inefficient, that in spite of many motions we were, like windmills, getting nowhere, and that we were tactlessly sowing seeds of discontent among the people. Under the best of circumstances, we could not expect to be popular; and although the storm of the summer of 1923 had passed without doing any perceptible damage, hostility to the American Mission was still intense in many quarters and there were numerous elements who looked at the latest turn of the political wheel as an opportunity for the renewal of their criticisms and propaganda.

The new intrigues, which took on appreciable proportions in the fall of 1923, apparently had

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as their purpose the embarrassing and discrediting of the American Mission, with the aim of depriving us of our essential powers and ultimately, if we became unpopular enough, of driving us out of the country. A subtle campaign was instituted to start a quarrel between the Prime Minister and myself. I was told almost daily that Reza Khan had decided to get rid of the American Mission; he was told that we were destroying the prestige of the army and that under the cloak of financial laws we were defying his authority and creating disrespect for it. Petty differences, annoying to both of us, occurred continually, which if it had not been for the enemies of the mission, would never, I am confident, have appeared in a form to require even casual discussion. In order to banish any hope of support from the Majless, I was told that that body, when it met, would be the pliant tool of the Prime Minister, because of influence exercised by him over the elections, and that one of its first acts, if it should by chance not be immediately dissolved, would be to consider the question of the continuance of the American Mission in Persia.

With the departure of Mr. Early in the fall of 1923, the Financial Mission, with only nine members, was left short-handed. While the members of the mission in the capital willingly assumed additional duties, there were only two Americans

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serving in the provinces, and accordingly Mr. Flannagan was sent as financial agent to Yazd and Mr. Dunaway as provincial director to Hamadan. Finally, with the designation of Mr. Pearson as Director of Personnel, I was left with no American secretary or stenographer.

Early in March, 1924, a movement started for the establishment of a republic. The movement was a blend of anti-dynastic, progressive, modernistic, and nationalistic sentiments, galvanized into action and given concrete form by the popularity of Reza Khan Pahlevi, who was universally viewed as the prospective first president of the republic. The example of Turkey probably had influence. Except in some irresponsible quarters, the movement never took on a really revolutionary aspect, and, it was not, in my opinion, in any sense symptomatic of a trend toward Bolshevism. The press of Teheran became rampantly anti-monarchical; telegrams advocating a republic poured in from the provinces; peaceful demonstrations occurred; government offices were closed in the provinces; and at Teheran employees left their work and presented addresses to Reza Khan. The latter pointed out to at least one delegation that the form of government in modern times is not an important matter; that there were certain backward and badly governed republics, while there were progressive and well-



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governed monarchies; and that his only desire was to make his country progressive and well governed whatever the superficial forms of government might be. Nevertheless, when the movement had gathered momentum and doubtless seemed to him to represent a spontaneous and unanimous expression of popular feeling, he became quietly and dignifiedly receptive. For a time, it appeared that the establishment of a republic was certain; but after a prolonged discussion in the Majless, where the Opposition was led by Modarres, it was decided that the change of government should not take place. The Prime Minister showed good sportsmanship; and the agitation had stopped by the first of May.

During the course of this interesting movement, the American Mission followed its policy of strictly abstaining from any participation in political matters. I declined to express any opinion on the question; and when some employees came to me in regard to their going in a body to the Prime Minister to voice their support of republicanism, I told them that I was neither for nor against any Persian political movement, and that they must as Persian citizens use their own judgment. I did take occasion to point out to the Government that the closing of financial agencies and the general political manœuvring in the provinces would cause a serious loss of revenue,

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and in the budget an amount of about one hundred thousand tomans was later deducted, on this account, from the estimates of revenue.

I was naturally apprehensive, also, that the news of the movement when transmitted to foreign countries might create an impression which seemed to me wholly contrary to the facts—that instability and disorder existed in Persia. In view of the withdrawal of the proposal of another American company, the Prime Minister had decided to grant the northern oil concession to the Sinclair Exploration Company; and a representative of an American banking firm came at this juncture to Persia, to make the preliminary investigations regarding a loan to be floated as a condition of the concession. He was followed shortly afterward by the representative of an American construction company which was interested in the prospective expenditures from the proceeds of the loan. Other foreign companies also were showing revival of interest in Persia. The time did not seem propitious for a political diversion. My view, however, would have been precisely the same toward a Presidential election, a cabinet crisis, or any other political development which tended to suspend the normal course of affairs and to divert public attention from financial and economic matters.

The budget, our perennial crop of thorns, was

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during this period particularly prolific of trouble. Prior to the meeting of the Majless, the preparation of the budget for 1923-24 had reached a stage where it became clear that if we were to effect a balance, including provision for the repayment of a part of the advances from the Imperial Persian Bank, it would be necessary to find new revenue amounting to a million tomans.

As in the previous year, the ministers wanted increased appropriations to meet their expanding needs, and some of the proposed increases seemed necessary. Accordingly, we prepared a number of tax projects, including a chancellery tax, a tax on delinquent taxpayers, an income-tax, a tax on negotiable instruments, an extension of the rental tax, and a sales-tax, with the idea that these taxes would be approved by the Majless prior to or in conjunction with its approval of the budget.

These tax projects were the first proposals that we had made looking to the increase of revenue and the reform of taxation by legislative enactment. Our aim in these proposals was to introduce more elastic taxes, to distribute the burden of taxation more equitably, and to pave the way for the abolition of some of the existing taxes, such as the various archaic local imposts, the road-tolls, the navaghel collected at the city gates, and eventually, with the restriction of opium-cultivation, the opium-taxes. In the sales-tax bill





AGHA SEYED HASSAN MODARRES, LEADING CLERICAL DEPUTY

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we proposed, in fact, the abolition of about two hundred existing taxes. We hoped to establish sources of revenue which, while not abundantly productive at first, would in the course of time provide sufficient funds for transportation development, for agricultural reconstruction, for the extension of educational and sanitary facilities, for the gradual payment of claims, and possibly for the purchase of pensions. We were also preparing a new project providing for a uniform system of land-taxes.

In the beginning, we had realized, of course, that tax proposals, even if we had had time to submit any to the fourth Majless, would not have been acceptable. The American Mission was an experiment; and the Majless was not inclined to vote more taxes without assurance that their disposition would be properly controlled. Moreover, the people were complaining of the existing taxes, and could not be expected to favor measures which would add to their burdens.

Mohamed Ali Khan Farzin, the under-secretary of the Ministry of Finance, was the only official who advised me not to submit proposals for new taxes in connection with the budget. Had I followed his wise advice, much of our later difficulties with the budget would have been obviated. On the other hand, the American Mission was being generally criticized for its rigorous

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collection of taxes, and for not accomplishing any constructive work. The existing taxes, even with the increase we had obtained administratively, were inadequate for the normal governmental needs of the country and offered no opportunity for relief to taxpayers or for constructive, social, and economic undertakings. Persians protested the illegality of some of them; foreign legations held that others conflicted with the treaty rights of their nationals. The oil royalties were decreasing. The negotiations with Russia regarding the tariff had been thus far without result. The new Majless was an unknown quantity and it seemed to me that there was a fair chance that it might, when it saw the exigencies of the situation, provide the fiscal assistance which we needed.

After much discussion with the ministers, the budget was submitted to the Majless, with the tax proposals, in the second month of the Persian year. The Budget Commission promptly decided to strike out the new taxes and to balance the budget by reducing the expenditure items. A proposal to reduce expenditures by cutting down salaries was debated. Week after week, through the spring into the hot summer months, the discussions went on. Various features of the budget, which did not seem important to the commission, appeared vital to me. It was impossible for my interpreter to give me the discussions in

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full, and it was therefore difficult for me to appreciate the point of view of the deputies or to understand the subjects on which they desired further information. They seemed to me to be dilatory, obstructive, and unreasonable. I seemed to them to be lacking in helpfulness, obstinate, and equally unreasonable.

Finally after three and a half months of discussion, the commission returned the budget to the Government for revision.

In the meantime, having bound ourselves to the principle of making no payments without parliamentary authorization, we found ourselves in serious embarrassment on account of the lack of credits. Lacking a voted budget for the year, the Government each month asked the Majless to grant a credit equal to one twelfth of the appropriations of the previous year. The delay in passing these monthly credits prevented us from making payments promptly, and caused losses of revenue due to our inability to make the expenditures which were in some cases necessary for collection purposes.

Our troubles with the Ministry of Posts and Telegraphs became aggravated. The under-secretary of that ministry now made no pretense of observing the financial laws; but having sufficient receipts, he was able to satisfy the employees of his ministry by paying their salaries



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promptly and regularly. We were, of course, less interested in his political machine than we were in the enforcement of the laws and the economizing of expenditure. My recommendation that a Persian employee of the Ministry of Finance should be appointed Chief Accountant and Controller of the Ministry of Posts and Telegraphs was, however, disregarded. I then laid the matter, in writing, before the Prime Minister and informed him that, since we were powerless to force the Ministry of Posts and Telegraphs to observe the law and my contract, I should be compelled, unless the Government gave me support in this matter which seemed vital to our success in controlling expenditures, to deduct from the budgetary payments to the Ministry of War a part of the amount which was estimated as losses in the Ministry of Posts and Telegraphs.

A similar situation existed in the Municipality of Teheran, which was outside the budget of the Government and which contended that it was likewise outside the terms of my contract. Dr. Edward W. Ryan, who was employed by the Persian Government as municipal expert, had begun energetically to reform the city administration and had borrowed 250,000 tomans from the Imperial Persian Bank for the completion of the municipal building and the repair of the streets. His untimely death in September, 1923, again threw af-

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fairs into confusion; but some months later, the Prime Minister ordered the chief of the municipality to submit in fiscal matters to the control of the Ministry of Finance.

With the republican movement out of the way, a veritable storm of criticism broke upon us in the Majless and in the newspapers. Speeches were directed at us in the Majless, and the inability of the Minister of Finance to give prompt and detailed information in reply to the numerous questions of the deputies served to create an atmosphere of distrust. The criticism was expressed that we were deliberately keeping the minister in ignorance. In and out of the Majless we were charged with various high crimes and misdemeanors, namely: with maintaining an excessive budget for the Ministry of Finance; with receiving advances from the bank, contrary to the Constitution; with failing to reorganize the financial administration; with collecting taxes illegally and oppressively; with delays in the conduct of the correspondence of the ministry; with treating the disponibles contrary to the Civil Service Law; with irregularities in the purchase of supplies; with failing to adapt ourselves to the mentality of the Persian people; with disregard of the responsibility of the Minister of Finance; with maintaining an unnecessary number of interpreters and translators; with having too many high-

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salaried officials; with dismissing honest men and appointing dishonest ones; with lack of expert knowledge; and with general incompetence.

We were not so much concerned with the criticisms in themselves as we were with their significance and effect. If the attacks in and out of Parliament represented the real attitude of the Government and Parliament, and if this attitude could not be changed, then the situation boded ill for the success of our mission. Continued public attacks by deputies, concurrent with the other conditions which I have mentioned in this chapter, appeared certain to diminish our prestige, to weaken our control over the personnel of the financial administration, and to lend encouragement to all who were resisting the collection of taxes or claims.

Therefore, deciding to ask the Government for a definite indication of its purposes, we addressed, late in July, 1924, a letter to the Prime Minister in which we called attention to our difficulties and to violations of our contracts, and stated that unless conditions were changed, there appeared to be little hope for the accomplishment of our task.

Shortly after, a tragic event occurred which profoundly shocked the foreign community and the Persian people. As I was dining one evening late in July with the Minister of Finance in the

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garden of the Iran Club at Gulehek, word was brought that the American Vice-Consul Robert W. Imbrie had been killed by a mob in the streets of Teheran. On the following day, we attended his funeral at the American Missionary Church. The Prime Minister with his Cabinet was present, and the dead American official was accorded full military honors.

During the course of a few days the fog of rumors lifted and the facts became fairly clear.

Major Imbrie, with a companion,—a former American employee of the Anglo-Persian Oil Company, who had been convicted of assault and sentenced to a year's imprisonment at the consulate,—drove in a carriage to a shrine in one of the crowded streets near the center of Teheran. The shrine, like many others in the city, was in the form of a small drinking-fountain set up at the side of the street. Reports that a miracle had occurred a few days previously at this spot attracted to it a crowd of credulous people of the lower classes, who, stirred by the faith that brought them there, were in no mood for tolerance or understanding. The tense emotionalism, even fanaticism, manifested at such an exceptional place did not of course represent the thoughts of the whole population, and a foreigner, although feeling perfect security in general, should have realized the extreme danger, with

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respect to any religious manifestation, of provocative action or inappropriate intrusion. Major Imbrie, however, when he reached the shrine, did the one thing which was most likely to cause trouble. He attempted to take a photograph of the shrine and the near-by group of Persians, among whom were some women. The consequences were tragic: warnings, cries that Major Imbrie had put poison in the fountain, menaces, and—after the vice-consul with his companion had gained his carriage and driven away—a long pursuit through the streets, and finally a murderous mob attack, which resulted in the death of Major Imbrie and serious injuries to the other American.

Altogether, the skies seemed dark in midsummer of 1924.

Nevertheless, our work continued to show progress. The reorganization of the financial administration proceeded step by step. Foreign trade and customs revenues were steadily growing; and all internal taxes were showing an encouraging increase, amounting for the first six months of the year to a half-million tomans as compared with the corresponding period of the previous year.

In November, 1923, Colonel MacCormack with three Persian assistants had proceeded to Khozi-

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stan and had concluded a settlement with Sheikh Khaz'al, according to which this most feudalistic and opulent of Persian chiefs agreed to pay to the Government a half-million tomans on his tax-arrears, of which he paid in cash one hundred thousand. The settlement, which was approved by the Government, also bound the Sheikh to pay his current taxes in the future. In the winter of 1923, following military successes of the army, we established financial agencies in certain districts of Kerman, Fars, and Lorestan.

A largely attended and instructive national exposition of home-made goods was held at Teheran in the winter of 1923, under the management of Motacham os Saltaneh, whose versatility in political and economic matters had endowed him in the past with several cabinet positions and various industrial concessions, including an important one for the importation of silkworm eggs.

A representative of the League of Nations, Dr. Gilmore, made a sanitary survey of Persia.

A competent Japanese economic mission investigated conditions in Persia in the winter of 1923; and at about the same time a new Russo-Persian Commercial Agreement was signed by the Persian Government with the Soviet Legation.

Late in the winter a joint commission was formed with the British Legation, and progress

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was made toward reaching an agreement on the various monetary claims of the British Government.

A joint technical commission representing the Persian Government and the Soviet Legation, in spite of many sittings failed to reach an agreement on the tariff question; and in the fall of 1923 pourparlers with the Russians concerning the future of the Persian fisheries were similarly fruitless.

## CHAPTER IX

### FAIR WEATHER

**T**HE crisis of 1924 proved, like that of 1923, to be a passing storm. Following our letter of protest, I had personal talks with the Prime Minister and discussed the matter at the Council of Ministers. The Government showed a keen appreciation of the seriousness of the situation. The Prime Minister assured me that he desired as much as ever to retain the services of the American Mission, and that he would take steps to make our position easier. His general attitude, which was repeated in his conversations with me, was succinctly stated in his letter of August 6, in reply to our protest:

In continuation of my previous letter, I again repeat the good opinion of the Government in regard to yourself and our unshakeable determination to empower and aid the Mission in forwarding the services which it has undertaken. I assure you that the observation of the rights and powers which are given to you is and shall be thoroughly regarded by me and by the body of the Government.

Soon after, the Prime Minister reorganized his



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Cabinet, and the Government received a vote of confidence on August 26, 1924. In the new Cabinet, Reza Khan introduced as Minister of Finance, Zoka ol Molk, whose integrity and patriotism had won the confidence of the people and of the Majless, and whose service as Minister of Finance in 1923 had proved his friendship for the American Mission. The appointment of Zoka ol Molk was the best concrete evidence that could have been given of the good intentions of the Prime Minister. No one, so far as I know, has ever doubted that Zoka ol Molk is disinterestedly devoted to the public good. He has served as Minister of Finance to the present time; and during these months he has also served as Acting Prime Minister during the absence of the head of the Government.

In view of the vital relation of economic affairs to our work, the appointment of the Minister of Public Works was of special importance. For this position, the Prime Minister appointed Sardar Moazzam, a deputy of Khorassan, an energetic, brilliant, ambitious, and colorful personality, whose persuasiveness and exceptional skill in parliamentary leadership were to prove later of invaluable aid in the passing of our projects through the Majless. The portfolio of Posts and Telegraphs was given to Sardar Assad, also a deputy and a Bakhtiari khan, who assured me in

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our first talk that he desired to straighten out the difficulties which had become acute between the two ministries. Sardar Assad was as good as his word. He issued orders that the fiscal affairs of his ministry should be conducted according to law; and he installed our representative, Amid ol Molk, as Chief-Accountant and Controller of his ministry.

The acts of the Government with regard to the Imbrie affair were of interest to us, in our official capacity, chiefly as they revealed the purpose and strength of the Persian Government. Expressing in every possible way its horror over the incident, the Government declared martial law, establishing a military governor at Teheran, made numerous arrests, and proceeded to the prosecution of those accused of complicity in the murder. One of those proved guilty, a private soldier, was promptly executed; and two others, Seyed Hossein, son of Seyed Mousa, and Ali, son of Abou Taleb, were executed on November 3, 1924. The Government of the United States sent the cruiser *Trenton* to take the body of Vice-Consul Imbrie from Persia to America; and Major Miles, then American Military Attaché at Constantinople, was ordered to Teheran to accompany the body. Departing from Teheran, along the road to the frontier, and at Bushire, the port of embarkation, the remains of the dead American

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official were accorded full military honors by the Persian Government.

Among the demands made by the Government of the United States were that the Persian Government should pay \$60,000 to the widow of Major Imbrie and should also pay the expenses of the *Trenton*. The first-mentioned sum was paid immediately, and the second amount, which was fixed by the American Government at \$110,000, was paid in four instalments before the first of April, 1925. When the Persian Government had met the various demands of the Government of the United States, the American Legation at Teheran announced that the sum paid for the expenses of the *Trenton* would be held as a trust fund, the interest on which would be assigned to the education of Persian young men in America. This graceful and well-timed act not only served to remove any remaining traces of friction arising from the Imbrie incident but will also tend, in the future, to bind still more closely the traditional ties of friendship between America and Persia and to contribute in a practical and fundamental way to the progress of Persia.

The Imbrie incident was thus closed. Tragic as the crime was, its significance must not be exaggerated. It is of course the peculiar duty of a government—a duty which in fact constitutes an accepted test of its fitness for membership in

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the society of independent nations—to protect the lives and property of foreigners within its territory. In this respect, Persia had had a good record. The traditional hospitality of the Persian people toward foreigners is the special pride of Persians. Previous to the Imbrie affair, no foreigner in Persia, so far as I could know or guess, felt any apprehension regarding his safety. From the social and political points of view, the murder of Major Imbrie can be looked upon as a peculiarly regrettable accident, the responsibility for which could not, in my opinion, without the most extreme casuistry, be laid on the Persian Government or the Persian people. In all truth it must be admitted that, had Major Imbrie been ordinarily discreet, he would not have been the incitement or the object of a mob attack. The mob did not seek him; he went under provocative appearances into a place and into conditions which had the elements of danger. Moreover, while firmly insisting that other nations must protect our citizens, we should not be too quick to draw conclusions from a single crime, however conspicuous it may be, in another country. Western countries also have their crimes and their mobs. If Herrin, Illinois, had been in Persia, we should probably long ago have despaired of that country's capacity for self-government. Herrin, it may of course be replied,

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represents merely a pin-point of disorder in a huge country that is on the whole capable and law-abiding; but, as I have already endeavored to show, in Persia also crime and disorder are exceptional.

Personally, although the object of antipathies and attacks, I have never felt in the slightest degree unsafe in Persia. Nevertheless, the Government in the spring of 1925 took cognizance of letters from a dispositive threatening direct action against me, and assigned an active young police officer to act as my guard. I did not care to have him accompany me in my automobile; but, with remarkable alertness and endurance, he kept himself always near me when I appeared in public, whether I happened to be walking or riding.

The budget difficulty also was quickly settled. The Prime Minister called on me with Zoka ol Molk, on September 23, 1924, and agreed on reductions in the various budgets, including that of the Ministry of War, which were necessary to balance the general budget without new taxes. Revised according to our agreement, the estimates of the Government were returned to the Majless, and received parliamentary sanction on January 1, 1925.

In the meantime, Zoka ol Molk was able to explain to the deputies many matters on which honest misunderstandings had arisen, and, on Nov-



**PRIME MINISTER AT DEMONSTRATION OF PERSIAN ARMY AIRPLANES**



**CUTTING RICE IN THE PROVINCE OF GUILAN**



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ember 8, 1924, I submitted to him a detailed memorandum, which was sent to the Majless, on the subject of the advances received from the Imperial Persian Bank, showing that these advances had been of public record, approved by all the prime ministers and ministers of finance who had been in office since our arrival, that the proceeds of the advances had been spent in accordance with approved budgets, and that the outstanding advances were virtually equivalent to the deficit of the Government for the fiscal year of our arrival.

The budget as revised and finally passed was in itself encouraging. Cuts were made in unproductive expenditures; credits for the Court and for pensions were decreased; the productive services were left, in general, without reduction or with slight increases. The prolonged and at times acrimonious discussions of the budget had had its compensations. It tended to bring the Majless, the Government, and the American Mission into a better understanding regarding budgetary procedure; and, most important of all, it served to impress on the deputies and on the people, the necessity of new sources of revenue if any new public services were to be undertaken.

Beginning in the summer of 1924, important political developments occurred in the southwest. After the visit of the Prime Minister on August 6 to Khorammabad, the operations against the Lur



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tribesmen proceeded satisfactorily; but a more serious portent arose farther south. Sardar Aghdass or Sheikh Khaz'al, the Sheikh of Mohammerah, with whom we had in the previous year reached a tax settlement, showed signs of unrest, which in the course of a few weeks assumed the aspects of a threatening rebellion. Success in the aims which were attributed to him would have confirmed his position as a sovereign or a semi-sovereign chieftain, and would have been a serious blow at the authority of the Central Government and the unity of the country. The story will be told largely from published documents. The following telegram sent on the part of Parliament to the sheikhs (tribal chiefs) of Khozistan on September 30, 1924, was published in the Teheran press:

The Honorable Sheikhs of Khozistan. In view of the fact that you have always been subservient to the orders of the legal central government, and inasmuch as it is just that faithful persons like you should be kept informed of the facts, so that they should not, through some possible misunderstanding, be misled to take any action that might be against their own desires, or that might be contrary to their past records, it is necessary that I inform you that the present government, under His Highness Sardar Sepah, enjoys the full support of Parliament. Inasmuch as it is the duty of the people, when a Government is supported by Parlia-

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ment, to have the same attitude toward that Government as that adopted by Parliament, any person who should rise, or take any action, against the central government would, therefore, be considered as an outlaw by Parliament. I am confident that, realizing the significance of this statement, you will point out its importance to the necessary persons.

(sd) MOTAMEN OL MOLK, President of Parliament.

Telegrams reached the Government, from groups of political and religious bodies in various provinces, declaring their loyalty to the Central Government and their detestation of the acts of Sheikh Khaz'al. Following rumors of unrest also among the Bakhtiari tribes, Amir Eghtedar, Minister of the Interior, Sardar Assad, Minister of Posts and Telegraphs, and, in addition to Sardar Assad, three other chiefs of the Bakhtiaris, left for Isfahan on October 22, 1924. Information was published, also, to the effect that the Vali of Posht-i-Kouh, another virtually independent chief, had risen. The army commandeered transport means in the west and expedited the movement of troops toward Khozistan. At the height of the disturbance it was officially reported that there were 22,000 government troops on the Khozistan front. On November 5, 1924, the Prime Minister, accompanied by a number of military officers and civilians and four armored automobiles, left for Isfahan. The army journal of November 6,

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published the following General Army Order:

Despite all my admonitions to Khaz'al and my warnings to him of the evil consequences that a civil strife, under the existing critical situation of the country, will produce, he did not abandon his obstinate and unruly conduct and refused to submit to and obey the orders of the Government. I, therefore, order that the entire army prepare all its practical and material resources in order to destroy this last impediment against the growth and development of the army, and consequently, against the prosperity and progress of the country. I am leaving for Isfahan to settle the affair.

From this date on, the Teheran papers chronicled the steady approach of the Prime Minister to Mohammerah, the stronghold of the Sheikh, and the victories of government troops in Khozistan. The press, on November 14, published the text of a speech delivered by Sheikh Mohammed Ali Teherani in Parliament on November 13. Teherani began his speech by referring to the great improvement that had taken place in the army, and said:

“At first troops were sent to the north and then to the south. They reached Kerman, Fars, and finally Khozistan. Khozistan, which is one of the important provinces and an essential member of Persia, finally started to have troops. The information that I have, indicates that since the period preceding the reign of Nasser-ed-Din Shah, no adequate army had been sent

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to Khozistan. In brief, Sheikh Khaz'al, a tribal chief, noticing that a change had taken place in the army affairs of Persia,—that the army was no longer in a state of chaos,—trembled with fear. He saw that the Government was powerful; that it was stable. He, therefore, endeavored to undermine the power of the Government. He worried over his enormous wealth. He made efforts to bring about a dissension among the various tribes. He made suggestions to some of the tribes to rise against the Central Government. To Sardar Ashayer, Chief of the Kashgai tribe, who gives us the honor of his presence here as member of Parliament, he suggested—as I understand, (and he can deny the information if it is not correct), that he join him in rising against the Central Government. He told him that he would furnish him with all the money and arms, if he only directed the movement. A man like Sardar Ashayer, who loves to see that his Government is a powerful one, and who knows that the development of the country depends on the power of its army, naturally refused the offer. Since that day Sheikh Khaz'al has been acting against the Government. He telegraphed to Parliament, saying that he was against Sardar Sepah, and that he had risen against Sardar Sepah, despite the fact that, in case he had a complaint, he could ask Parliament to remove it without taking up arms against the Central Government. We held a private session in Parliament. In order to avoid bloodshed, and to avoid drawing our swords against each other, we negotiated with Sheikh Khaz'al for a period of two months. He could not, however, be persuaded, and he started certain

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activities which the Persian people detest. [Applause.]

“In Parliament we were naturally aware of his actions. But we always believed that he would abandon them. For this reason we did not make any statement in Parliament. But to-day, when it has been well established that all the tribes of Fars, as far as Behbahan, as well as the Bakhtiari, are in support of the Government, that the Sheikh is isolated, and that he fights the Government for the sake of his enormous wealth; I speak in the name of the people of Persia,—and I am sure all the gentlemen here support me in my declaration,—and in the name of Persia’s independence and nationality, I express Persia’s detestation for the activities of Sheikh Khaz’al and declare that he deserves punishment.” [Applause.]

The Prime Minister arrived at Shiraz on November 15, and repeated to Teheran the following telegram received from Sheikh Khaz’al, which was read in Parliament by Zoka ol Molk on November 18:

His Highness the Prime-Minister, May His Dignity be Everlasting. Certain persons had led me to believe that Your Highness felt unkindly towards me. But I have recently realized, thank Allah, that this is not the fact, and this has made me very hopeful. Your Highness is well aware of the fact that this misunderstanding was strengthened by the intrigues of certain selfish persons and malefactors—not including the Bakhtiari—

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who have of course never felt hostile towards Your Highness. These persons endeavored to use me for their selfish interests and to make me an instrument by means of which they intended to attain their long desired objects. I finally realized that the policy that I had adopted was not a sound one, and I therefore beg to express my regrets and to ask Your Highness to pardon me for the unworthy steps that I have taken during the last several months against the Imperial Government. In the future as in the past I shall endeavor to realize my ambition, which has always been to render the greatest amount of service to my Government and to obey and fulfill Your Highness' instructions to the best of my ability and sincerity. And I have every hope that Your Highness will accept my regrets and will again place me under your confidence. I understand that Your Highness intends shortly to visit the South. If this is true, I shall very much like to have the honor of coming to see Your Highness, in order that I verbally express to Your Highness—as the Head of my Government—my regrets for the past and the assurance that I shall faithfully serve you in the future. Awaiting the expression of kindness on the part of Your Highness and your permission that I be honored by coming to see you.

(sd) KHAZ'AL.

To this telegram, the Prime Minister reported that he had sent the following reply:

Mr. Sardar Aghdass. I received your telegram in

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Shiraz. I shall accept your apologies and regrets provided that you surrender unconditionally.

(sd) REZA, Prime-Minister and Commander in Chief of the Army.

On November 23, the Prime Minister telegraphed that he intended to go to Mohammerah with the army; and on November 26 he left Bushire on the Persian gunboat *Pahlevi*. Two days later he telegraphed that he had arrived at the front, and in reply to another telegram from the Sheikh couched in terms of surrender, he had replied:

Inasmuch as he is a Persian subject, and I do not desire to see that any Persian is destroyed, and inasmuch as I have no other intention except that of bringing about the state of centralization in the country—a principle which I have always pointed out to the public—he must come to the advance part of the front, where he must verbally plead for amnesty and renew his desire to surrender.

Zoka ol Molk, as Acting Prime Minister, issued the following statement on December 2:

A rumor, the reflection of which has appeared in some telegraphic news sheets and local papers, has recently prevailed with regard to the receipt by the Persian Government from the Government of Great Britain of certain notes concerning Khozistan. For the information of the public I hereby deny the existence of such notes, which would be contrary to the sovereign rights

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of Persia. The Persian Government is making every effort to protect the interests of Persia.

Acting on my suggestion that in such an emergency, provision should be made for prompt payments to the army, the Majless on December 2 passed the budget of the Ministry of War in advance of the general budget. The press of December 10 published the following telegram from the Prime Minister:

At 5 P. M. December 5 I arrived at Nasseri. The son of Khaz'al, accompanied by a number of the Sheikhs and notables had come out several farsakhs to meet me. Nasseri was illuminated and decorated. The inhabitants of the town were making preparations for joy and festivity. Khaz'al, who had been compelled by serious illness to go to Mohammerah, returned to Nasseri. Accompanied by Morteza Gholi Khan Bakhtiari, he came to me this morning (December 6) asked for amnesty and obtained it. All the reinforcements dispatched from the Western Division of the Army have arrived in Dizful. The inhabitants illuminated the city during three successive evenings and celebrated the arrival of the troops on a large scale.

On December 15, the Prime Minister telegraphed that he had completed the settlement of the Khozistan affair; that he had appointed General Fazlollah Khan as Governor-General of Khozistan; that the Khorammabad-Khozistan road was re-opened to caravan traffic; and that he



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would leave for Teheran on December 17, by way of Bagdad, making a pilgrimage on the way to the shrines of Kerbela and Nedjef.

Following the subjugation of the Sheikh, we sent a commission to Khozistan to organize a provincial financial administration; and it is our intention in the future to collect directly the revenues of that region. The Vali of Posht-i-Kouh, who fled to Iraq after the surrender of Khaz'al, also obtained amnesty and in April acknowledged complete submission to the Central Government; and at the request of the Prime Minister we immediately took steps to establish financial and customs agencies in his territory.

It can be conjectured that Khaz'al showed signs of wavering, for in May, 1925, he came to Teheran on the invitation of the Prime Minister; and when I left Persia, on leave of absence, the once semi-sovereign chieftain was living quietly, making and receiving no calls, in one of the residences of the capital.

When the Prime Minister arrived in Teheran on January 1, 1925, bronzed by his winter travels, he was accorded a reception which far outshone that which had greeted the Shah two years before. Arches were erected over the streets; public buildings and shops were decorated and illuminated; a public holiday was declared; gifts were presented to him and flowers scattered in his path.

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Rumor had it also that, even before his arrival, certain of the enemies of the American Mission had attempted to win him definitely to their side. So it is necessary now to turn in our story from the unification of Persia to the position of the mission.

As I have mentioned before, there was in the Majless a group of deputies who are particularly devoted to the ideas that underlie the presence of the American Mission in Persia. Among these deputies are Mostowfi ol Memalek and Muchir ed Dowleh, ex-prime ministers, Khaikosrow Shah-rokh, the Zoroastrian member, Hossein Khan Alai, and Taghi Zadeh. Alai had been at one time a forward-looking minister of public works, and for a number of years had served with distinction in the Persian diplomatic service, being at the time of my appointment minister at Washington. Taghi Zadeh was, in 1906, one of the young revolutionary deputies whose eloquence swayed the Majless and who was a strong influence in the establishment of the Constitution. For several years he had been in Europe. The return of these two men to Persia in the fall of 1924, and their addition to the independent group, injected new blood, enthusiasm, hope, and energy into the progressive forces. I do not wish to imply that the five men that I have mentioned were the most influential in the Majless or were the

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only ones that were ready to defend the American Mission. Many deputies were destined in a few weeks to rise to the defense of the mission or of the measures proposed by it. These men, however, formed the nucleus around which grew in a short time a friendly majority; and since conferences are most fruitful when limited in number, it was to these few men—distinguished for probity, sagacity, and patriotism—that I turned and was advised by others to turn for counsel and assistance. With these deputies I have had frequent meetings; and their efforts, with the help of others and with the natural trend of circumstances, brought about an amazing change of attitude on the part of the Majless.

I speak of the natural trend of circumstances because I believe that during its first year, the fifth Majless, like the Prime Minister and myself, had to pass through a period of orientation and adjustment. Personal and local questions, which at the start were uppermost in the minds of the deputies, had to run their natural course; an appreciation had to be gained of national questions; the deputies had to become acquainted with one another, with the Government, and with the American Mission; and, finally, time worked its own cure, for a deputy, even though desirous of constructive legislation, could hardly be expected to hurry much with twenty-four, eighteen, or even

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twelve long months between him and another election.

Feeling that much of the hostility to the American Mission had been due to misunderstanding, I adopted the policy of sending to a number of the deputies copies of my official communications on matters of general interest. These mimeographed copies of memoranda, letters, and projects, circulated among the deputies, made the truth known and took the wind out of the sails of those whose trade in intrigue had depended largely on misrepresentation or misunderstanding. On November 25, 1924, during the discussion of the budget, Emad os Saltaneh, Deputy of Isfahan, delivered a speech in defense of the mission; and a speech by an editor-deputy attacking the mission met with an unfavorable reception. Later, Mirza Abdollah Yassai, deputy of Semnan, rose splendidly to our defense. The changed attitude of the Majless was concretely shown when Khaikrosrow Shahrokh, proposing the salaries and expenses of the Parliament for 1925-26, voluntarily reduced the estimates by an amount of forty thousand tomans.

In order to assist in the formulation of constructive economic projects, the Majless established at about this time a new commission, called the Economics Commission, consisting of seven able deputies under the chairmanship of Taghi

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Zadeh. The first work of the commission, in which the Minister of Finance and I participated, was to draft a bill, which was duly approved by the Government, embodying a permanent program of road-construction and maintenance and proposing new taxes to carry out the program.

I called on the Prime Minister the day after his return to Teheran, and found him most cordial. Returning my call a few days later, he stated that his visit to Khozistan had greatly impressed him with the resources of Persia, and that he desired more than ever to coöperate with the American Mission in getting constructive projects through the Majless and in attracting foreign capital to the country for the development of its resources. During the absence of Sardar Assad in Isfahan and Khozistan, the Ministry of Posts and Telegraphs had suffered another relapse; and, having reached the conclusion that our difficulties with that ministry could not be removed so long as Mokhber ed Dowleh remained, the Prime Minister authorized Sardar Assad to remove him; and on February 1, 1925, this under-secretary, who had been a persistent stumbling-block in the path of reform, submitted his resignation. Since that date our relations with the Ministry of Posts and Telegraphs have been satisfactory.

In order that there might be less danger of misunderstanding in the future between the Gov-

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ernment and the American Mission, the Prime Minister asked me to attend regularly the Saturday sessions of the Council of Ministers. This I have done.

After the return of the Prime Minister, the question of the monarchy, and particularly the question of the position of Reza Khan Pahlevi in the Government, became again acute. The Shah had been in France for more than a year. The Prime Minister, according to my information, desired assurance that, in continuing the work in which he was engaged, his position should not be jeopardized by a state of affairs which bred unsettling intrigues. Patriotic Persians, opposed to any action which might disturb or appear to disturb the program of economic development, desired a return to political normality. Representatives of the various Parliamentary groups met and prepared a bill which was passed on February 14, 1925, naming Reza Khan Pahlevi the generalissimo of all the defensive and security forces of the empire and providing that he should not be removed from his post except by vote of the Majless. On February 28, 1925, according to press reports, the Crown Prince called on the Prime Minister; when, a little later, the ex-Shah, Mohamed Ali, died in exile, the Prime Minister was reported to have spent the day consoling the Crown Prince; and it was also reported in the

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press, about the same time, that telegrams had been sent to the Shah asking him to return to Persia.

In order to facilitate further the coöperation between the Government and the Majless, the Prime Minister proposed on February 17, 1925, that a commission of twelve leading deputies be appointed to confer with the Government on important questions of policy. This commission was appointed on March 4; its sessions were attended by the President of the Majless, the Prime Minister, the ministers, and myself, and it proved most useful in formulating projects and expediting their passage through the Majless.

At about this time, I called the attention of the Prime Minister to the clause in my contract, and in the contracts of my principal assistants, which gave either of the two parties a right to terminate the contract at the end of three years. Since the three-year period was to end on September 29, 1925, and since many of the members of the American Mission were entitled to three months' leave of absence, I requested the Prime Minister to indicate for our guidance whether or not the Government intended to exercise its option. I told him further that since some of the members of the mission would probably wish to leave Persia, it appeared necessary to introduce a bill into the Majless for the employment of additional Amer-







ARMY BARRACKS AT TEHERAN



SCHOOL FOR MILITARY CADETS AT TEHERAN

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icans. He replied without hesitation that the Government had no intention of terminating our services, and that he would support a bill for the employment of more Americans. Accordingly, a project for the engagement of twelve Americans for the financial administration was introduced into the Majless and was passed on May 19, 1925, without substantial opposition. When the new positions are filled, the mission will have sixteen members, including an agricultural expert and eight men for the provinces.

In accordance with the terms agreed upon for the repayment of the advances received from the Imperial Persian Bank, the oil royalties payable on December 31, 1924, had not been available for governmental expenses. On the other hand, it had been impossible during the year to obtain new revenue to fill the gap caused by the loss of the royalties. As a result we had steadily fallen behind in current disbursements, and as the end of the year approached, the payment of the budgetary expenses was on the average about a month in arrears. As Now-Ruz—the time of holidays, feasting, and presents—drew near, discontent among the employees increased. Teachers went on strike, and the Ministry of Justice made illegal payments to its employees and judges out of its trust funds. In order to relieve the situation, the ministers and many of the deputies desired to

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obtain another advance of a million and a half tomans, which the bank had indicated its willingness to give.

I pointed out, at this juncture, that a further advance would be inadvisable unless the Majless would approve an increase of taxes. Although less than a week remained before Now-Ruz and the end of the year, the Prime Minister went personally to the Majless on March 16, introduced a bill that we had prepared for the amendment of the tobacco-tax law, and asked its urgent consideration. The Prime Minister and all the Cabinet worked among the deputies and attended the sessions of the Majless. The debate began the same evening and continued on the following day, and the bill was passed by an overwhelming majority at eleven o'clock in the evening of the next day. This encouraging success with a tax project is to be credited largely to the personal exertions of the Prime Minister and to the energy and parliamentary skill of Sardar Moazzam. The new law is estimated to produce a half-million tomans additional revenue yearly. Its enactment is a striking refutation of the charge that Persians cannot make decisions or act quickly. On April 21, the Minister of Finance introduced two new tax bills: one for a government monopoly of sugar and tea, the proceeds to be used for the construc-

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tion of railroads, and the other for a tax on matches, the revenue to be assigned to sanitation. The first project, estimated to produce five million tomans yearly, was passed on May 30, 1925, and the second with an estimated annual return of two hundred thousand tomans is expected to be approved soon.

In May, 1925, occurred an outbreak of the Turkomans, who inhabit Estrabad in the north-eastern part of Persia. For some time their sporadic forays had caused losses to the peasants of adjacent provinces; but, according to the statement of the Assistant Minister of the Interior in Parliament:

On about the middle of Ordibehesht (May 5) we were in receipt of reports to the effect that the Turkomans had come in boats and had suddenly landed in Mazanderan and Tunekaboun. Also we learned that they had committed certain acts of mischief in the neighborhood of Bojnourd. When these events happened about a week ago, the Government lost no time and took immediate steps to send forces and aeroplanes. The Government's policy is to try to settle an incident peacefully. But when this policy fails to bring forth the desired results and encourages the outlaws, we consider it as our duty to take immediate and drastic steps to face the situation. The Ministry of War states that forces have already been despatched and action has been taken to suppress the insurgents. I sincerely hope

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that within two or three days I shall be able to give some good news to Parliament.

From reports that I have received since leaving Persia, I understand that this uprising has been suppressed and its leaders appropriately punished.

While engaged in suppressing the Turkomans, the Prime Minister began in May, 1925, the disarming of the Bakhtiari and Kashgai tribes. Thus the work of unification proceeded apace; and, as if to put a seal on his brilliant accomplishments, Reza Khan Pahlevi, in the summer of 1925, personally visited Azerbaidjan, the scene of his first triumph, and Khorassan, of his latest. The stability of Persia is further shown by the fact that during the Kurdish uprising in Turkey, in March, 1925, there was, according to reports, perfect calm in the Kurdish region of Persia.

Starting in the spring of 1925, the fourth fiscal year that we have experienced in Persia, we were able to chronicle a continuance of financial progress. Incomplete accounts for the fiscal year ending March 21, 1925, indicated that the deficit had been brought down to probably one half of one per cent. of the total budget. In spite of serious crop failures which not only aggravated our alimentation difficulties but also reduced

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revenues, the receipts from internal taxes for the year were twelve per cent. more than in the previous year. Our control over expenditures was tightening. Centralized purchasing had effected a clear saving of over fifty thousand tomans. The assets and liabilities of the Bank-i-Iran were transferred to the Ministry of Finance; and there was strong sentiment among the Persians for the establishment of a Persian national bank. Projects for the purchase of pensions, for the payment of Persian claims, and for agricultural relief, were pending in the Parliament. The adverse balance of trade, without considering "invisible" exports and imports, was steadily decreasing. Importations of silver were keeping the mint working day and night. The tariff and fishery problems, under discussion with the Soviet Legation, were still unsolved, but a reasonable offer made by the British Government seemed to present a practicable basis for the settlement of its monetary claims. An able special envoy from the Netherlands visited Persia early in 1925 to study the economic situation. The cities of Persia, such as Teheran, Tabriz, and Resht, were widening their streets, and the roads of Persia were noticeably improved. To demonstrate that Persia is not interested solely in financial and economic progress, one new tax project was ear-

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marked for sanitation and another for education; the calendar was reformed and titles abolished; a large part of a code of commerce was put into effect; a project for electoral reform was advanced to its third reading; a law abolishing obsolescent imperial farmans and a bill defining the terms of Persian citizenship were introduced.

## CHAPTER X

### AGRICULTURE, MANUFACTURING, TRANSPORTATION, AND COMMERCE

**M**Y contract with the Persian Government provides that the Administrator-General of the Finances shall be consulted by the Government "in regard to all commercial and industrial concessions and shall have an opportunity to express his opinion regarding them orally or in writing," and "shall as far as possible exert his utmost endeavors to extend, facilitate, and encourage the investment of foreign capital in Persia, with a view of overcoming in every way the economic crisis in Persia and to contribute to the economic development of Persia on a sound basis." Under these provisions of my contract, I have been in almost daily consultation with the Government on economic subjects.

The Persians are undertaking a task which has been, and still is, baffling and discouraging even to the politically gifted and experienced Anglo-Saxons. They are molding a nation, which they hope may be unified and independent; they are



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making a government, which they wish to be a representative, respectable, and efficient instrument of economic and social progress. They are apparently getting ahead in their task in spite of formidable difficulties. The geographical situation of the country is, of course, one of the handicaps. As a young and none too reverent Persian once remarked to me, "God had become careless when he got around to make Persia." Largely because of geography, it is necessary at this late date for Persia to modernize its primitive culture and to develop neglected resources while working out the problem of self-government.

Varieties of soil and temperature, as well as varying degrees of rainfall,—ranging from desert conditions in the center, to the over-abundant rainfall of the north coast,—render Persia almost self-sufficient as regards its agricultural and live-stock production. It is perhaps difficult or impossible to find Persian-grown pineapples, bananas, or maize; and the different variations in form, color, and flavor resulting from modern, scientific breeding are not so evident in Persian markets and on Persian tables as in Western countries; but, nevertheless, an enumeration of the things which are or can be produced in Persia would constitute almost a complete list of the world's agricultural products. The chief exportable agricultural and live-stock products are dates, figs,

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wheat, barley, cotton, tobacco, opium, silk, raisins, rice, sheep's intestines, and wool. In addition, Persia grows, for its own consumption, tea of good quality, olives, fruits, vegetables, and nuts, and all kinds of meats (except, of course, pork and pork products). Game is abundant. Herds of gazelles may be seen from the roads; partridge-shooting and trout-fishing are common sports.

Nevertheless, with the exception of opium and fresh and dried fruits, Persia was at the time of our arrival exporting only insignificant quantities of agricultural and animal products. The lack of agricultural exports other than those mentioned, was due chiefly to the difficult transport conditions and the stoppage of trade with Russia.

The village system of agriculture, somewhat similar to the manorial system of medieval Europe, exists throughout most of the country. The villages, with the surrounding cultivated land, range in size from a few acres to several square miles; in population they vary from a few families to several thousand. Some of the villages attain the proportions of towns or small cities, with caravansaries, mosques, bazaars, numerous shops of tradesmen and artisans, and extensive gardens. Many villages are owned by landlords who reside in Teheran or other cities. They make occasional visits to their properties, but usually leave the details of administration to their agents. The

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arable land around a village is divided into strips or blocks, and these are apportioned among the peasants for cultivation.

The peasants live in the village, and with their women, children, and farm animals go out to the surrounding fields during the day.

Only a fraction of the rural area of Persia is cultivated. Between villages lie stretches of pasture-lands or of land which though fertile is bare because of the absence of water. Almost anywhere, when water and seed are brought, the soil blossoms like the delta region of Egypt. The average rainfall in the interior, however, is only about six inches, and agricultural production, therefore, depends on irrigation. Irrigation in the interior is effected in general by means of *kanats* or underground canals, through which water is carried to the towns and villages and made available for the watering of the fields. Every hundred yards or more there is an opening into the kanat, from the surface, and through these openings the peasants descend to clean away sediment or to remove other obstacles. Near cities or large villages, the landscape is fairly pockmarked with the crater-like openings to the kanats.

During the war—due to devastation by the armies, the industrial depression, and in many regions the scattering of the inhabitants—villages

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and kanats went to ruin. There are, I dare say, few villages in Persia which do not show more or less the ravages of the last few years. Some are wholly ruined and deserted; the mud houses fallen down; the kanats caved in and dry; the fields bare and baked.

About six months after my arrival in Persia, the financial agent of Garrous, in northwestern Persia, reported that of two hundred and forty-one villages in his district, one hundred and six were ruined and without inhabitants, while the remainder were partly ruined and partly tenantless.

By tax-exemptions, loans of seed, and, as in the Urumiah region, loans of money for the repair of buildings and the purchase of seed, oxen, and implements, some assistance has already been given in the reconstruction of agriculture. In the spring of 1925, the Government introduced into the Majless a bill, which was favorably reported by the Budget Commission, authorizing the Ministry of Finance to grant loans to landowners, out of the retirement-pension fund, on the security of real estate, for the reconstruction of villages; and it is also the purpose of the Government to use a part of the proceeds of a foreign loan for the reconstruction of irrigation. At present, improvement may be scarcely perceptible; but with the continuance of order in the country, with the re-opening of foreign trade, with the improve-

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ment of internal transportation, and with well-planned financial assistance by the Government, the recovery of agriculture should in a few years become marked.

Three years ago modern agricultural machinery was virtually unknown in Persia. Plowing was by wooden plows drawn by oxen, or in some cases the ground was spaded by hand; the grain was cut by sickles, drawn by donkeys, threshed by tramping with oxen driven round and round in circles over the heaped-up grain, and winnowed by the wind. Since our arrival, Russian, British, and American agricultural machinery has been imported, and is finding a steady sale to the more progressive landowners.

Farm machinery has been demonstrated at the Agricultural School at Teheran, which is directed by the Minister of Finance; and these demonstrations are always attended in large numbers by interested Persian officials and proprietors. Also, plans are under way for the establishment of model farms and experiment stations.

Fertilizer is little used, and probably in most districts unnecessary. The fields are cultivated one year and lie fallow the next.

The distribution of the crop, among the various factors in its production, is a complicated matter, which is, however, of much practical importance from the viewpoint of land-taxation, as well as

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from the broader viewpoint of the wage system and the distribution of wealth. Owing to the varying climate, the lack of homogeneity, the absence of uniform customs, the difference in the number of peasants in different places, and the fact that some landlords have more power than others, there is no uniform rule with regard to the apportionment of the crop. In general, it may be said that in a typical village irrigated by means of *kanats*, there are five factors in production,—land, labor, oxen, water, and seed,—and to the one who provides each factor a fifth of the product is given. Where the land is watered sufficiently by rain or by natural streams, the distribution is different. In some places the peasant may receive two thirds or three fifths of the crop; in other places the proprietor likewise may receive two, three, or even four of the shares. If there is, as is likely, a *gavband* or cow-keeper, he will receive one fifth of the product; and if he also furnishes the seed, he may get two fifths, or one third. There are also laborers who are employed by the peasants for wages and servants who receive little more than a bare livelihood.

Local government in a Persian village is simple. The principal authority in agricultural affairs is the *kakhoda* or head-man. In many districts, the distribution of water is in the special charge of a water-man. When a dispute arises over water or

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land, it is often submitted to the impartial decision of the graybeards. When any case requiring a legal judgment arises, appeal is made to the local mullahs, to the sub-governor, or even to the governor of the province.

In most of the villages, unfortunately, there are at present no schools, courts, or police. Nevertheless, there is little crime or disorder.

Almost every Persian village has its own character and traditions, being locally famous for its melons, fruit, rugs, embroidery, or other handicraft, or for the industry, intelligence, or bravery of its people.

The following extracts, in free translation from the report of one of our cadastral surveyors, will throw light on the conditions in the Veramin district about twenty miles from Teheran: . .

Veramin comprises three hundred and sixty villages, of which fifty-two, belong to the Government. Its length from north to south is twelve farsakhs [about forty-eight miles]; its width from east to west is ten farsakhs [about forty miles]. Only one tenth of this district is cultivated. The soil consists of sand and clay, and, if dug to the depth of from five to twenty-five yards, water will be found. Veramin is irrigated by two hundred and thirty kanats running from the Djajeroud River. There is no rain after the middle of spring. There are no thunder-storms and the wind is insufficient. In summer the east wind is warm, west

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wind cool. The quantity of seed sown is nine thousand khavars per annum, about ninety thousand bushels. The principal crops are wheat, barley, millet, corn, rye, and rice. When there is no damage, wheat produces eighteen-fold and other grains from twenty-five to seventy-fold. Poppy, cotton, sunflower, and castor are also raised. The fruits are figs, pomegranates, and apricots; the fruitless trees are poplar, sycamore, and ash. The farm animals are principally camels, sheep, goats, horses, mules, and donkeys; and domestic fowls are represented by turkeys and hens. There are no schools. Most of the peasants are poor and many of them have left their homes.

The following abstract of a report prepared by another Persian finance official describes conditions in the province of Isfahan:

Most of the land is irrigated by the river Zayendeh-Rood, flowing from Zardkooh Mountains, one hundred miles to the west of Isfahan, but in some districts irrigation is from wells. In spring the excess flow of the river loses itself in the sand tract called Gav-Khooni, a hundred miles to the east of Isfahan. The climate is moderate. In the summer the maximum temperature is from thirty-two to thirty-six Centigrade in the sun. The minimum is from twenty-one to twenty-five. The freezing season lasts for two months during the winter, with a moderate fall of snow. There is no rain during the summer and there are no clouds. Soft and cooling breezes blow from the south and west. Thunder-storms are rare. The soil is clay and chalk mixed in some



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sections with fine sand. Alfalfa, clover, and maize are cultivated successfully; the climate is very favorable for growing mulberry trees; grapes are most successful. The inhabitants are penurious, credulous, and satisfied. There are well-bred horses, swift donkeys, camels, mules, and load donkeys. Large fat-tailed and Turkish sheep are reared plentifully. Good cows are rarely seen. Hens are common; turkeys, geese, and ducks are rare. Apples, pears, apricots, and peaches are of remarkable size and fine flavor, and the quinces and melons are the best in Persia. Opium is extensively cultivated. Tobacco and cotton are also important crops. Rice is also produced in some districts.

The most significant feature of agriculture in Persia, is its comparatively limited area. In the areas actually under cultivation at present, production can probably, by obvious and practicable measures, be increased sufficiently to support a population two or three times as great as the present population of the country. The most needed measures for the increase of agricultural production are the reconstruction of ruined villages; the combating of insect pests and diseases of plants and animals; the improvement of seed and methods of cultivation; the use of agricultural machinery; the substitution in certain districts of crops better adapted to the climate than those grown at present, and the construction of large-scale irrigation works. The application of these measures is imperatively needed at present to im-



INTERIOR HALL OF DR. MILLSPAUGH'S SUMMER HOME AT TAJRISH



GARDEN OF DR. MILLSPAUGH'S SUMMER HOME AT TAJRISH



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prove the living conditions of the people and to insure against famine.

The general stimulation, to any great extent, of agricultural production in Persia, however, would not be economically desirable or possible until improved transportation facilities had been provided and markets had been found for the excess production. The resumption of trade with Russia provides such a market for certain of the surplus products of the Caspian littoral. The exportation of the surplus production of other parts of Persia must wait, in general, until markets have been found and means provided in the interior of Persia for the transportation of its products to the frontiers.

Of the insect pests which prey on the crops of Persia, locusts and grasshoppers are a perennial cause of loss; but one of the most serious pests which we have had to combat, in our efforts to preserve the crops of Teheran Province and to protect the bread-supply of the capital, is the senn. This insect breeds on a mountainside near Teheran, emerges from the bushes early in the spring, and starts its flight to the fields. It is said to suck the sap in the grain-stems as a silk-worm eats a mulberry leaf. It is understood that about seventeen years ago, after a very cold winter, the senn almost disappeared and the price of wheat decreased to about a quarter of its pres-

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ent price. We have attempted, with the assistance of the army, to burn the breeding-places of the insects, and have also paid the peasants for gathering them by hand. None of these measures, however, have thus far been effective, and it is hoped that the new American agricultural expert may succeed in solving this important problem.

Anthrax and cattle-plague, during the past year or two, have killed increasing numbers of cattle, and have seriously handicapped production through losses of work-oxen. Serum for inoculation, however, is now successfully made in Persia, and it is hoped this will check the spread of these diseases.

No survey of Persian agriculture would be complete without a reference to opium-cultivation. There are none among the thinking classes in Persia who do not realize the serious moral, physiological, and economic menace of the opium habit. The Persian Government had before our arrival taken steps to regulate the trade in opium. It has been ready, I am convinced, to coöperate whole-heartedly with other nations in controlling the export trade in Persian opium, in restricting its cultivation in Persia, and in limiting its consumption to medicinal requirements, even though these measures should bring about a serious sacrifice of revenue. Irrespective of the revenue which is derived by the Government from it,

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opium-cultivation in Persia constitutes one of the important agricultural industries, and the only one which makes any substantial contribution to the export trade. Opium is a compact commodity representing large value in small bulk; and notwithstanding that it must be carried long distances by wagons and pack-animals, it can be transported and exported at a profit. The opium poppy is raised in eighteen of the twenty-six provinces; its cultivation is scattered over an area of four hundred thousand square miles. The total annual production is approximately a thousand tons. In 1923-24, exports of opium through the customs-houses were valued at 6,021,971 to-mans, or 15.6 per cent. of the total export trade of Persia, exclusive of petroleum.<sup>1</sup>

Allowing for undervaluation and for contraband shipments, the opium exports may be safely estimated at from one fifth to one fourth of the total exports of Persia, exclusive of petroleum. In many districts, opium is virtually the only crop which yields cash returns, and a large number of people are almost or wholly dependent on the opium business for their livelihood. In Isfahan, the center of opium-production, it is estimated

<sup>1</sup> Petroleum, the principal Persian export, does not figure in the balance of trade, since it virtually returns to Persia only the royalties paid to the Government, the payment of wages of employees, and a small amount paid for supplies in Persia.

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that at least one quarter of the population of the city is dependent more or less on the opium trade.<sup>1</sup>

Nevertheless, there is no disinclination in Persia to face the fact that measures for the agricultural and commercial development of Persia must be considered in the light of the ultimate restriction of opium-cultivation and export, and that any such measures—if they are far-sighted, sound, and comprehensive—must include plans for the substitution of other exportable crops for opium. Among the crops which appear possible thus to substitute are wheat, silk, tobacco, cotton, tea, hemp and flax, and dried fruits. It may be possible, also, to find a measure of compensation in the future production of beef cattle, wool, and lambskins for export, and in the development of mineral resources. The practical realization of such substitutions, however, will demand careful experimentation and systematic preparation, the finding of markets abroad, and particularly the improvement of transportation in Persia.

At the recent Opium Conference at Geneva, the Persian Government laid its case frankly and fully before the other nations. The remarkable significance of its action seems in some quarters to have been overlooked. An opium-producing country, with a large industry and an important part of its export trade and revenue at stake,

<sup>1</sup> See page above.

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Persia, nevertheless, declared in good faith its entire willingness to adopt measures in accord with the most enlightened conceptions of the world's moral and hygienic needs, provided only that the other nations—which are wealthier than Persia, have infinitely less, economically, at stake, and from the hygienic standpoint will benefit immeasurably more than Persia by the restriction of opium production—should assist in carrying out any practical economic measure which may be demonstrably necessary to bring about the curtailment of opium-cultivation in the country.

It is not necessary or appropriate here to discuss the reasons for the failure of the Geneva Conference. It seems clear, however, that the Persian position at the conference was neither obstructive nor impracticable. There was no intention on the part of Persia to fix conditions merely for purposes of procrastination, or to use the opium question as a pretext for procuring a foreign loan. It is true that Persia, in laying her cards on the conference table, stated that a foreign loan of perhaps ten million tomans (not ten million “tom-cats” as some of the Geneva delegates remarked), with certain reasonable assistance in connection with the tariff and foreign claims, seemed to be the quickest and most practical method of financing the industrial change required by the restriction of opium-production.



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Our estimate of the exact sum required for the processes of substitution, was of course tentative; and I hope it will be possible for some authoritative body to send a competent commission to Persia to study the situation on the ground and report the facts to the world.

Tobacco grown in Persia is of three kinds: water-pipe, grown in the southern provinces, pipe tobacco, raised in the northwest, and cigarette tobacco, produced in Guilan and Mazanderan, on the Caspian coast. Persian tobacco is of excellent quality and should find a readier sale abroad.

The soil and climate of Persia are favorable for cotton-growing. The chief drawbacks thus far have been the crude methods of cultivation and the poor selection of seed. Before the war the production of cotton in Persia had reached 140,000 bales of five hundred pounds each, constituting almost a fifth of the exports of Persia. In 1920-21, the exports were less than 3000 bales. Due to the loss of markets, because of the World War and the Revolution in Russia, cotton-cultivation was largely abandoned and other crops were planted instead.

The war and its incidental effects cut down silk-production in Persia ninety per cent. The centers of silkworm breeding are in the Caspian provinces. The mulberry, however, can be grown in most of the provinces; and there is now before

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the Majless a project granting to a French company a non-monopolistic concession for the importation of silkworm eggs. When this concession goes into effect, an adequate supply of healthy eggs will be assured and the silk industry should advance.

Tea-planting was started seventeen years ago, in the province of Guilan on the Caspian coast; and a Dutch tea expert has now been engaged to supervise and encourage the further development of this industry.

In the absence of transportation facilities, cheap fuel, and the development of its natural resources, Persia has thus far shown hardly a semblance of modern industrial development. The carpets and rugs, silks and embroidery, pottery, silver, and brass of Persia are world-famous; but the manufacture of these articles is almost entirely by hand, the so-called factories at Sultanabad (Aragh) and Hamadan consisting of hand-looms. Handicraft work of artistic merit and high quality is done in the villages by the peasants during the winter months. Persians are industrious and skilful workers, adaptable to new methods, apt at handling machinery, and amenable to expert direction; but the conditions in the country have rendered the development of manufacturing on any large or modern scale economically unjustified. The chief hindrances are

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the high cost of fuel, the lack of other power, the absence of transport facilities, and the cheapness of hand labor.

In order to encourage textile manufacturing, the Majless had passed a law, shortly before our arrival, requiring all officials and employees of the Persian Government—including those of the army, road guards, and police—to wear clothes of Persian manufacture, and subjecting to a fine any who should be discovered wearing foreign-made dress. We were interested in the execution of this law from the point of view of getting the fines into the treasury; and, fairly well enforced, the law has distinctly encouraged the spinning and weaving industry. Requests are now frequently addressed to the Ministry of Finance for the exemption of imports of spinning and weaving machinery from customs duties and road-tolls. With the approval of the Government, we have in general complied with such requests. A large spinning factory, to be equipped with German machinery, is now under construction at Isfahan. Attempts have been made to establish in Persia the manufacture of sugar, matches, leather, boots and shoes, and buttons. A well-equipped sugar-beet factory stands unused a few miles from Teheran, and a match factory is operating at Tabriz. An interesting exhibition of Persian home-craft products and

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foreign machinery was held at Teheran in the winter of 1923.

Trades unions and employers' federations do not exist in Persia; but there are merchants' guilds and chambers of commerce. Labor is cheap, and the unemployment situation in Persia is chronic—indicated by the large number of disponibles; the number of idle, both rich and poor; the number of low-paid servants, and the hordes of beggars that infest certain of the towns.

There are in Persia no industrial stock companies or societies, in the Western sense; although Persians associate quite commonly into partnerships and groups. There appears to be little liquid capital in Persia available for investment, for the incomes of the large proprietors are largely in kind; but some Persian money is invested in foreign securities.

The unsettled conditions in the country, the individuality of the Persian, and the absence of adequate means for enforcing laws and contracts, have in the past discouraged association for the investment of capital in industrial undertakings. At present, however, a part of a commercial code has been put into execution, stability and security exist in the country, the indiscriminate granting of contracts and concessions has ceased, opportunities for investment are becoming more apparent, and it is expected that with returning

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prosperity a larger amount of the available capital of Persians will be offered for investment in the country. Persians with capital to invest are already showing marked activity, and the Government and the Majless desire to have them participate in the development of the country with or without association with foreigners. Nevertheless, Persia, for many years to come, must depend largely on foreign capital and foreign initiative.

The improvement of transportation facilities seems to offer the key to the economic development of this retarded region.

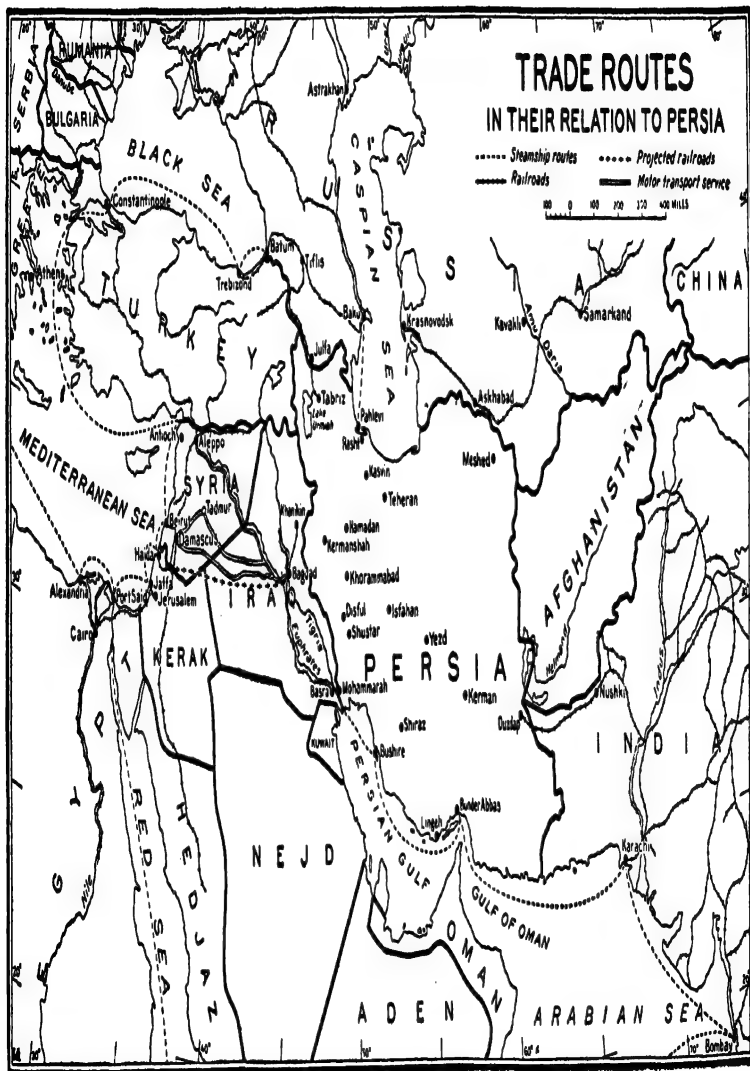
The principal commercial entrances of the country are the ports of Bandar Abbass, Bushire, and Mohammerah on the southern coast; the port of Pahlevi on the Caspian; Kasr-Chirin on the Iraq frontier in the west near Khanikin, the terminal of the railroad running north from Basra through Bagdad; Julfa on the Russian frontier in the northwest, connected by railroad with Tabriz and Tiflis; and Duzdab, the Persian head of the Indian railway in the southeast.

Persia has been an isolated country. When the tide of the world's commerce, industry, and civilization moved westward, it was left, figuratively and literally, high and dry. Even in the last three years, however, the country has become more accessible. In 1922, the American

# TRADE ROUTES IN THEIR RELATION TO PERSIA

- Steamship routes
- Projected railroads
- Railroads
- ===== Motor transport service

100 0 100 200 300 400 MILES



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Mission went to Persia by the Red Sea—Persian-Gulf route—touching at Port Said, Aden, Bombay, Karachi, Bushire and Basra, traveling by rail from Basra up the Euphrates to Bagdad, and on to the Persian frontier. To-day, there are regular departures of seven-passenger limousines from Teheran via Bagdad to Beirut, making the trip in about six days. The route through Russia also is open. When transit through the Caucasus is fully reestablished, and when the projected railroad is built from Bagdad to Haifa on the Red Sea, Persia will be brought nearer to the world's markets. It appears probable, also, that construction in Turkey may bring northwest Persia nearer to Trebizond on the Black Sea.

During the World War, the British built motor highways from the Iraq frontier to Kazvin, from Duzdab near the Indian frontier to Meshed, and other shorter roads, and they extended the Indian railways through the Baluchistan desert to Duzdab. The railway, which had been built before the war by the Russians, from Julfa to Tabriz, with a branch from Sofian to Lake Urumiah, was transferred to the Persian Government by the Russo-Persian Treaty of 1921, together with the highway and other transportation concessions which had been granted to Russians. Nevertheless, with these railroads completed and projected,

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steam transportation would lead no farther than the doorsteps of Persia.

To understand the internal transportation problem of Persia, one must recall again that it is a large country, walled in and crossed by mountain



## TRANSPORT ROUTES IN PERSIA

ranges, with no navigable rivers except the Karun in the southwest, which is navigable for a hundred miles with an average depth of four feet.

**The only constructed roads suitable for heavy**



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motor traffic are the highway from Kasr-Chirin to Kazvin, through Kermanshah and Hamadan, a distance of 380 miles; the road from Pahlevi to Kazvin through Resht, a distance of about 140 miles; the highway from Tabriz to Julfa, paralleling the railroad, a distance of 80 miles; and the road from Julfa to Khoi in Azerbaidjan, about 60 miles long. The road from Kazvin to Teheran, a level stretch of 90 miles, is partly constructed and is suitable for and is in use by motor traffic. There is an unmetaled but passable road from Teheran to Meshed, a distance of 584 miles, and also one from Teheran to Isfahan, a distance of 240 miles. The roads from Isfahan to Shiraz (290 miles) and from Isfahan through Yezd to Kerman (400 miles), as well as the roads from Meshed to Duzdab (600 miles), and from Duzdab to Kerman (300 miles), from Bushire to Shiraz (180 miles), and from Teheran through Ghôm to Aragh (about 120 miles) are passable by motor-cars. The non-metaled roads are for the most part caravan trails, and, naturally, present inconveniences or difficulties to the passage of motor-cars at certain points or during certain seasons of the year, particularly the rainy season; and the passes on the Kazvin-Tabriz and Bushir-Isfahan roads are particularly difficult. There are several roads in the oil-fields built by the Anglo-Persian Oil Company; and there is a de-

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cauville railroad in the southern oil-fields about thirty-eight miles in length, used for the transportation of the company's materials.

There are, of course, numerous other trade routes in Persia, probably the most important being the route northward to Teheran from Mohammerah, and the northwest route from Tabriz to Trebizond on the Black Sea.

When we arrived in Persia the metaled roads from Kasr-Chirin to Kazvin, which had been built by the British and Russians, and from Kazvin to Pahlevi, which had been built by the Russians, were rapidly deteriorating; and other roads were in bad condition. The transfer of Mr. Mitchell to the Ministry of Public Works was followed by prompt steps to effect the necessary emergency repairs, keep the roads in passable condition, and to make all possible improvements until funds would be available for a general program of rehabilitation and construction.

Early in 1925, the Economics Commission of the Majless formulated a project of law, which was approved by the Government and now awaits Parliamentary sanction, setting forth a definite program of highway-construction and maintenance, and providing new taxes to supply the necessary funds. The project proposes the repair of the roads from Kasr-Chirin to Kazvin, from Pahlevi to Kazvin, and from Tabriz to Julfa, and the

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construction of the roads from the frontier to Kasr-Chirin; from Kazvin to Teheran; from Kazvin to Tabriz; from Khoi to Bayazet; from Teheran to Meshed Hissar; from Teheran to Meshed; from Teheran to Bushire, via Ghom, Isfahan, and Shiraz; from Teheran to Mohammerah, via Ghom, Aragh (Sultanabad), and Dizful; from Meshed to Duzdab, and from Meshed to Hendan. The army has done excellent work in constructing roads in Azerbaidjan and Khozistan.

Road-construction and maintenance had in the past been complicated and retarded by the practice of granting to private individuals, Persian or foreign, contracts for the building of certain roads with the privilege, over a period of years, of collecting the road-tolls on the constructed road. During the last two years a number of these contracts have been annulled by reason of non-performance, and it is expected that in the future the roads will be built and maintained with government funds.

When Shuster left Persia, in 1912, there was one automobile in the country, a French car belonging to the Shah. During the World War a small car of American manufacture was introduced. The commerce of Persia is still to a large extent carried on camels, donkeys, mules, and horses, and in horse-drawn wagons; but automobiles and motor-trucks are now a familiar sight





**MIRZA HASSAN KHAN PIRNIA**  
(FORMERLY MUCHIR ED DOW-  
LEH), LEADING INDEPENDENT  
DEPUTY, PRIME MINISTER, JUNE-  
OCTOBER, 1923



**MOSTOWFI OL MEMALEK, IN-  
FLUENTIAL INDEPENDENT DEPUTY,  
PRIME MINISTER, FEBRUARY-  
JUNE, 1923**



**MIRZA HOSSEIN KHAN PIRNIA**  
(FORMERLY MOTAMEN OL MOLK),  
PRESIDENT OF THE MAJLESS



**SARDAR MOAZZAM KHORASSANI,**  
MINISTER OF PUBLIC WORKS

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on the highways and are rapidly increasing in number. In 1924, some camel-drivers complained to the Parliament and the Prime Minister that—to quote the English translation of their petition—“the speedy traffic of motor-cars at night inflicts casualties on embarrassed camels.” Accordingly, the road guards were instructed to request the chauffeurs “to drive slowly at night, particularly when approaching files of camels.”

Before the war, a Russian company operated a motor-bus service between Teheran and Pahlevi. Recently, a Russian-Persian company has been formed, called the Auto-Iran Company, which offered, if the Persian Government would reduce the road-tolls, to operate one hundred passenger- and freight-cars over the same route. Unable in accordance with its treaty obligations to give special favors with respect to road-tolls, the Government reduced the tolls on all roads; and it is hoped that the new service will soon be inaugurated.

In view of existing transportation routes, a large part of Persian commerce has been forced to pass through Russia and Iraq. As a feature of the country's policy to make itself economically independent, Persians are looking toward Mohammerah and Trebizond as future outlets for commerce.

In accordance with the Russo-Persian Treaty of

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1921, the Tabriz-Julfa Railroad had been transferred as a gift to the Persian people. Aside from the monetary claims against it, which are considered a debt of the Russian Government, the actual condition of the railroad was deplorable. For a time, on account of the condition of the ties and the locomotives, the trains ran a poor second to the camel caravans on the highway; but rehabilitation is now under way; we have recently purchased two more locomotives, thirty cars, and a year's supply of fuel-oil; and the cross-ties, which had become so rotten that spikes could be pulled out with one's fingers, are being replaced.

Lying west of Tabriz, between the city and the Turkish frontier, stretches the beautiful expanse of Lake Urumiah. From Sofian, northwest of Tabriz, a branch of the Tabriz-Julfa Railroad extends to the lake at Sharif-Khaneh. Some distance north of the lake is the important trade route to Trebizond, passing through Marand and Khoi. Northwest of it is the country of the Kurdish tribes; and around the southern end lies the remarkably productive agricultural regions of Urumiah, Sodj-Bolag, and Maraga.

There existed on the lake a fleet of seven motor-driven boats and fifteen barges, which, with extensive shore installations, were in good condition. The entire navigation on the lake was in the hands of the Persian Government, being man-

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aged by the administration of the Tabriz-Julfa Railroad. There were also a few boats and barges belonging to an Englishman named Stevens and a Russian named Bodaghiantz. The boats were in poor condition, and the properties on shore were of little value; but, resting their case on various documents and contradictory decrees from Persian governments of the past, Stevens and Bodaghiantz laid claim to the monopoly of navigation on the lake. Finally, some months after our arrival, their claims and properties were purchased; and the Persian Government thus possesses, free of any claim, the navigation rights and an adequate fleet of boats, which are already an excellent source of revenue for the Government. Repair cost is reduced to a minimum because there is no fish or animal life in the lake and the dense salt content prevents decay of timbers. The boats and barges proved of great value in the subjugation of the Kurds.

The importance of the Duzdab extension of the Indian railways, offering an outlet for the wool and cotton of Khorassan and the grain of Seistan, is shown by import and export figures. Before the World War the total trade through Duzdab amounted to less than a half-million tomans, but in 1922-23 it had risen to almost nine million tomans. Major Hall has made the interesting proposal that a light railway be constructed from



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Seistan to Duzdab, a distance of about one hundred and thirty-five miles, which would facilitate the shipment of Seistan wheat to the Indian markets, difficult at present, due to the high cost of animal transport.

Many years before the arrival of the American Mission in Persia, projects for railroad-construction had been elaborated and discussed, and had been the subject of diplomatic correspondence.

On September 16, 1888, Nasr ed Din Shah gave assurance to the British Government that whenever a railroad concession should be given in the north, a concession for a railroad from Teheran to Shustar would be given to a British company; that no railroad concession in the south would without consultation with the British Government be granted to any foreign company; and, further, that no permission would be given for the construction in Persia of any but commercial railways. In 1911 and afterward, there was further correspondence with the British Legation at Teheran and with British interests; and letters were addressed by Prince Ferouz, then Persian Minister of Foreign Affairs, to the Persian Railway Syndicate, Ltd., with respect to options for the construction of railways from Mohammerah through Khoramabad to Teheran and from Khanikin to Teheran, with a branch to Pahlevi.

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The period of time mentioned in the correspondence, having expired without any further decision or agreement and' apparently without the exchange of consideration, the syndicate requested the Government to pay for the expenses of the preliminary surveys which had been performed by the syndicate on behalf of the Government. It appears, therefore, that there is in existence at the present time no concession or contract for the construction or operation of a railroad in Persia.<sup>1</sup>

There are in Persia a number of short railways, which are of local industrial importance, but bear no relation to the general transportation problem of the country, for example: the tracks in the oil-fields; the railroad at Teheran, nine miles in length, from the city to the shrine of Shah Abdul Azim; the Resht-Pir Bazaar Railroad, five miles long; the Punel-Mordab Railroad in Guilan, a very short line not now operating; the Tooleh Railroad in Guilan, extending from the coast into the forests, a distance of twenty-four miles, now in a state of ruin; the Resht-Selki Sar Railroad, twenty-eight miles long, built for lumbering purposes and now almost totally destroyed; the Lijarki-Ghazian line at Resht, laid for the trans-

<sup>1</sup> With the exception of a line about five miles long, running from Resht to Pir-Bazaar on the Caspian Coast, the lease of which was recently given.

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portation of stone and cement from the sea, now in a state of complete ruin; and the short line built to the iron-mine at Amol in Mazanderan, but now ruined.

In May, 1925, as I have mentioned, the Majless passed a law establishing a government monopoly of sugar and tea, the proceeds of which, estimated at five million tomans annually, are to be devoted to the construction of railways.

It is recognized that while railroads are necessary and inevitable in a progressive and developing Persia, they must be based on and fed by a modern system of highways; and it is doubtful, furthermore, whether an extensive or expensive system of railroads is practicable in Persia. On paved highways, much of Persia's trade may be carried in motor-trucks; and the initial cost of a system of motor-truck transport will be insignificant compared with that of a railroad, to say nothing of the lower operating costs and the greater flexibility of motor transport.

Persians, however, are alert not merely to the economic advantages of railroads but also to their social and political benefits. They feel that railroads will stir, educate, and modernize the people, and will contribute, more than any other procurable influence, to the unification and better administration of the country. In this, they are unquestionably right; and the ultimate value of an

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investment by the Persian Government in railroads cannot be fixed solely by the tangible fiscal and business estimates which might be determining in a Western country.

The principles which are now held in view in Persia, in the discussion of the transportation problem, are that railroads or any other improved transportation facilities must be commercial in purpose, and principally for the interest of that country, and not, except incidentally, for the military, political, or commercial interests of any other country; that they must lead to independent or competing outlets; that they should be constructed by foreign firms under contracts, and after construction should be owned and operated by the Persian Government, or operated by a private company under lease.

Taking Teheran as the political and economic center of gravity in Persia, and with the above principles in mind, Persians have visions of a railroad running from the capital, southward to Mohammerah on the Persian Gulf; and another, perhaps, connecting in a northwesterly direction, by way of Tabriz, with Trebizond on the Black Sea. More ambitious imaginations picture a south-north trunk-line, from Mohammerah to Pahlevi or Bandar Jaz on the Caspian, and a west-east line from Khanikin and Kasr-Chirin to Duzdab. The project for a pipe-line and railroad

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from the Iraq oil-fields to Haifa on the Mediterranean, should be reckoned with. If this railroad is ever constructed, it will provide the shortest and presumably the cheapest route for commerce between Persia and western Europe; and would naturally lessen the value of the Mohammerah route or any other route into Persia. The present trend of Persian trade with the West, however, is toward the Mohammerah-Khoramabad route.

During the past two years, aviation has taken its place in the air and in the imagination of Persia. Army aëroplanes have operated in Khozistan and in the Turkoman country; and a German company, applying for an air-mail contract, has flown its planes, with many Persian passengers, over Teheran and to and from Baku.

The telegraph was introduced into Persia in 1862. Up to 1909, it was farmed out to individuals under contract, but since that date it has been operated directly by the Government, through the Ministry of Posts and Telegraphs. Persia has been a member of the International Telegraphic Union since 1869. There are now about one hundred and fifty telegraph offices in the country, and the lines have a total length, approximately, of ten thousand miles. In 1922-23, the telegraph system transmitted in the interior over seven hundred thousand private telegrams and about

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two hundred thousand government telegrams. There are also two foreign telegraph lines in Persia.

A Persian telephone company was established at Teheran and given a concession by imperial farman about twenty years ago. It has twenty-one share-holders, and five hundred and thirty-five shares of a par value of a thousand tomans each. Operating in most of the cities and towns of Persia, its subscribers in Teheran numbered 1136 in 1922-23, and 1326 in 1924-25; and during the same three years the number of subscribers rose, in Kermanshah, from 89 to 145; in Hamadan, from 104 to 144; and in Yezd, from 29 to 47. The company is now putting its wires underground in Teheran, and is making other plans to improve its service. There are no long-distance telephone lines in Persia, the longest line extending about a hundred miles.

The army purchased from the Russian Government a high-power wireless plant which was erected and, in the presence of the Prime Minister, enthusiastically dedicated in the spring of 1925. The main station near Teheran is said to be powerful enough to communicate with European stations.

When the American Mission arrived, the commerce of Persia was suffering acutely from the effects of the World War, although it had al-

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ready begun to show hopeful signs of recovery.

The principal imports of Persia are sugar, cotton material, and tea; the principal articles of export (excluding petroleum and petroleum products) are wool, carpets, opium, raw cotton, and fresh and dried fruits. In the figures which follow, there are excluded from calculation the exports of petroleum by the Anglo-Persian Oil Company, as well as the importations, during the war and afterward, by foreign troops. Of the real trade of Persia, exports had fallen, in 1918-19, to less than 20 per cent. of the total; but they had risen in 1922-23 to 33 per cent. and in 1923-24 to thirty-six. The adverse balance, which had reached 44,240,300 tomans in 1919-20, had fallen to 31,354,400 tomans in 1922-23 and 30,875,700 tomans in 1923-24. According to available figures, the adverse balance for 1924-25 should not exceed 28,000,000 tomans.

The "invisible" exports of Persia are difficult to estimate. They include the amounts spent by foreign representatives, residents, and travelers in the country, the Anglo-Persian Oil Company royalties, and the payments of this company in Persia for labor and supplies, amounting, it is stated, to about four hundred thousand pounds sterling.

In the face of the large adverse balance of trade, importers, unable to buy foreign currency to pay for their foreign purchases, began in some

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instances to export Persian silver currency at its bullion value. Fearing that the country would be drained of its silver, and hoping to check the importation of foreign goods, particularly luxuries, the Majless, in a state approaching alarm, passed a law prohibiting the export of gold and silver. We did our best to enforce this law, but smuggling has been widely practised. At present, however, silver is flowing into Persia and the execution of the law is of little practical importance.

There was also seriously discussed, in the Majless, a project of law prohibiting the importation of luxuries; but it was realized that most of the imports of Persia are necessities, and that in any event the Government might better turn its attention to increasing exports than artificially restricting imports. The law was not passed.

Russia held first place in the export trade of Persia until 1918-19, when it was displaced by Great Britain. In the import trade of Persia, Russia also led until 1915-16, when it was supplanted by Great Britain. In 1923-24, Persian importations from the British Empire (including India) amounted to 43,724,091 tomans, while those from Russia totaled only 10,515,879 tomans.

In 1913-14, Persian exports to Russia amounted to thirty million tomans; in 1921-22, they had declined to less than three million tomans; in 1922-23, they still stood at little more than six mil-



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lion toman; but in 1923-24, they had already risen to about sixteen million toman. The opening of trade with Russia is all important to Persian commerce. Steps to this end have been taken, a Russo-Persian Commercial Treaty having been signed and submitted to the Majless for ratification.

In view of the importance to Persia of trade with and through Russia, the monopolization of trade by the Soviet Government is of great interest. In Persia, there is no tendency to communism. The Government exercises important economic functions, but it has never, so far as I can see, shown any tendency to subvert individual initiative in industry or to extend its economic functions except when clearly necessary in the interest of the Treasury and public welfare. Persian merchants and producers, moreover, show little inclination to combine to protect their business and prices. As a result, their exports to or through Russia are at the mercy of the Soviet trade monopoly. In the case of the products of the north, such as rice and sugar, the monopoly is in a position to refrain from purchasing until prices fall; while the Persian producers, acting individually, have no means to keep prices up. Eventually, the Persian Government may be compelled to take action to protect the interests of its producers.

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The Soviet Government apparently follows, with regard to its external operations, the practice of establishing associations with Soviet control and Persian participation. In this respect, it appears to apply to Persians in their own country substantially the same policy as to foreigners doing business in Russia.

The famous carpets and rugs of Persia, constituting a unique industry of the country, and its most valued export, have been for many years in serious danger, because of the importation and use of aniline dyes and to the competition of China. In 1909, the importation of aniline dyes was prohibited, but this measure was ineffective, due to the smuggling across the exposed frontiers. Later, a special tax was imposed on exported aniline-dyed carpets, but this measure met with the strong opposition of the merchants, and it has not been possible to levy a tax high enough to be effective. Since March 21, 1922, this tax has been fixed at twelve per cent. *ad valorem*. A Belgian expert is employed by the Persian Government to examine the carpets for aniline. In spite of these measures, the carpet industry is in serious danger. In order to save it, it will be necessary not only to combat aniline but also to meet Chinese competition by restoring the historical and artistic purity of the old Persian patterns. Steps to this end are being taken.

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In Persia, there are three foreign banks of importance. The Imperial Bank of Persia acts for the Government in connection with the service of the foreign funded debt, receiving the southern customs receipts as they fall due, paying the coupons in London, and delivering the balance to the Persian Treasury. It likewise receives from the provincial financial agents tax revenues for remittance to Teheran, and effects remittances of government funds to the provinces without charge. It furnishes the Ministry of Finance with temporary over-drafts pending the collection of the revenues. It coöperates in the matter of nickel coinage, and in the purchase and importation of silver for coinage at the Imperial Mint. Should the Persian Government hereafter decide to adopt a gold standard, the Imperial Bank of Persia is bound by the terms of its concession to assist the Government to that end. The bank is a British institution, and, in return for the concession that it holds, pays the Government six per cent. of its net profits, with a minimum yearly payment of four thousand pounds. The Imperial Ottoman Bank has several branches in Persia; and there has recently been established in Teheran and northern Persia the Russo-Persian Bank, whose principal business is in connection with Russian commerce.

## CHAPTER XI

### NATURAL RESOURCES AND OTHER ASSETS

**I**N 1901, an Englishman, William Knox D'Arcy, obtained from the Shah a concession for the exportation, refining, transportation, and sale of petroleum, natural gas, asphalt, and ozokerite, throughout the Persian Empire with the exception of the five northern provinces along the Caspian Sea. Under the concession, which was to run for sixty years, the Persian Government receives sixteen per cent. of the net profits. Oil was struck in 1908, and in the following year the Anglo-Persian Oil Company was organized, in which the British Government has since 1914 held two thirds of the shares. The company has established two technical schools for the training of young Persians in the technical phases of the oil business; it has inaugurated various hygienic measures; and it has established in the oil-fields three large and well-equipped hospitals and quarantine establishments, with eighteen European physicians in the service of the company.

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The island of Abadan, which fourteen years ago was almost deserted, has become, since the erection of the company's refinery, a city of nearly twenty-five thousand inhabitants.

The main field of the company is in the region of Maidan-i-Naphtun, in southwest Persia. Outside this field, it is conducting drilling operations, and it reports that it has struck oil of high quality at Kishm and near the Iraq-Persian frontier. The output of crude oil has shown a steady increase, from 233,962 tons in 1913-14, to 3,714,109 tons in 1923-24. The wells are shallow, and give a steady flow of petroleum of high-grade quality. The remarkable well known as F 7, drilled in 1911, is stated by the company to be still giving an undiminished flow, having produced, up to 1924, 12,000 barrels daily, or a total of over 1,400,000,000 gallons. Two ten-inch pipe-lines, about one hundred and fifty miles in length, with an annual capacity of five million tons, have been constructed from the oil-field to Abadan, with three pumping-stations.

Due, it is explained, to market conditions, the royalties have not kept pace with the increased production, and the decline in this revenue had aroused the apprehensions of the Persian Government. Nevertheless, at the time of our arrival, there was no proper organization of the government departments to study and handle matters

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relating to southern oil. Under the concession, the Persian Government is entitled to appoint an oil commissioner, who receives from the company a salary of one thousand pounds. When I went to Persia, this official was a young man who showed no signs of ability, and who apparently looked upon his job as a sinecure which, as it had been obtained by influence, could be retained in the same way. He had no files; there were constant disputes between him and the Persian Legation at London. In Teheran, while the meager communications sent by the oil commissioner led to no action, the Ministries of Foreign Affairs, Public Works, and Finance all asserted their jurisdiction over them. The first step in bringing order out of confusion, was to obtain the recognition of the jurisdiction of the Ministry of Finance over all matters connected with the royalties payable by the company, and the right of the Ministry of Public Works to handle all questions pertaining to the physical conditions and operations in the fields. A capable examiner of finance, possessing a good knowledge of English, was then appointed oil commissioner at London, and the Legation at London was instructed to keep its hands off.

In the northern part of Persia,—the region not included in the Anglo-Persian concession,—there are reported to exist, particularly in the provinces

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of Mazanderan, Guilan, and Azerbaidjan, numerous indications of petroleum, similar to those which occur in southern Persia and in the Mosul region of Iraq, although probably not so extensive or significant.

Relative to this region, there exist some claims based on alleged grants to a Russian named Khochtaria, the legality of which is not recognized by the Persian Government, but which were sold by Khochtaria to the Anglo-Persian Oil Company.

When Mr. Alai was accredited to Washington, he announced that it was the desire of his Government to negotiate with American companies for the granting of an oil concession in north Persia, to be coupled with a loan of ten million dollars. During the next two years, negotiations were actively pursued in the United States with the Standard Oil Company of New Jersey, and in Persia with the Sinclair Exploration Company, which had sent a representative to Teheran. The Standard, in connection with its negotiations, effected an arrangement with the Anglo-Persian, whereby the latter, in return for the interest it claimed in the fields, should receive fifty per cent. of the output; the negotiations of Sinclair, were conducted, so far as I am informed, with no recognition of the claims of the Anglo-Persian.

At the time of my arrival in Persia the negotiations had reached a stage at which detailed pro-

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posals had been submitted to the Persian Government by both American companies. Both proposed that the concession should be worked by a subsidiary company, the capital stock and management of which should be permanently in American hands. The most marked difference in the two proposals was that the Standard desired the royalty to be based on a percentage of the crude production, while the Sinclair proposed that the royalty be a percentage of the net profits.

A glance at the map of Persia will show that any oil produced in north Persia, in excess of that sold in the local market, will have to be transported to or through Russia, to or through Iraq, to or through Turkey, or through south Persia to the sea. Any of these suggested routes of transportation will present extreme difficulty. Which would be the more practicable, would depend on the location of the producing territory, and, it would seem, on the relations established by the concessionary company with the Russian, Turkish, and Iraq authorities, as well as with the Anglo-Persian Oil Company, which holds the monopoly of oil-transport in the south.

Had the Persian officials who were then in power, acted with courage and decision, with a view only to the interests of Persia, had they gotten the best terms possible and then granted the concession to one company or the other, all



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would doubtless have been well. Instead of doing so, the Government of the time submitted to the Majless a project of law incorporating certain of the provisions of both draft concessions. This law, after months of discussion, was passed by the Majless, and was duly circulated for the acceptance or rejection of American companies. The Persian officials consulted with me freely on this matter. The Persian Government had declared that it was its policy to grant the oil concession to a purely American company. Between the two American companies which were negotiating for the concession, I had no preference, to the extent that they offered terms which in my opinion were practicable and in the interest of Persia. I recognized clearly, however, the danger of delay, urged the Government to make a decision in favor of one company or the other, and warned against embodying in a law those technical provisions which are usually subject to negotiation with companies.

The terms proposed in the law were understood to be unacceptable by the Standard but acceptable with some modifications by Sinclair. The revised Sinclair concession was thereupon submitted to the Majless for approval; but at this juncture, the summer of 1924, the Sinclair representative left Teheran. Then followed the cancellation by the Soviet Government of the Sinclair concession in

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the island of Sakhalin, and, early in 1925, the Sinclair Company telegraphed the Persian Government that, in view of the attitude taken by the Soviet authorities, the company could no longer go on with the northern oil concession.

For the impasse that occurred in this affair, the Persian Government should not be too severely criticized. Connected as the concession came to be, in the minds of Persians, with the vague "special interests" of neighboring powers, the Government—conscious of the grave mistakes that had been made by Persian governments in the past, in the granting of concessions; determined to take no step which should cause later regret; having no impartial technical adviser in Teheran, negotiating with one company in Teheran and with the other in New York—can hardly be blamed for an excess of caution; and it can be a matter of little surprise that the question, becoming a political issue, should have been brought to stalemate. It appears possible, however, that a solution may soon be found.

The granting of the northern oil concession, although important, is of course in nowise the open sesame to Persian prosperity. Neither is it, in my opinion, an indispensable vehicle for the flotation of a loan. There is need, however, of cheaper petrol in Persia, for at present it sells in Teheran at about one dollar a gallon. If pe-

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roleum could be produced and refined in north Persia so as to be supplied more cheaply, needed encouragement would be furnished to motor-truck transportation.

The negotiations with the Soviet Government concerning the Caspian fisheries, reveal some of the complications in Persia's economic situation, and in the position of the American Mission. It was far from my wish to engage in controversy with any foreign legation; but when a legation adopts the rôle of applicant for a concession and, like many other agents of business concerns in Persia, attempts to get terms which are contrary to the interests of the country, it is difficult to see how I can treat the legation's proposals as different from any other business propositions. Statements, made by me according to my contract, regarding an industrial concession, should hardly be construed as unfriendliness, until at least my position has been met by argument in economic, not political, terms.

Before the World War, the sturgeon fisheries along the Caspian coast of Persia were an important and developing industry. Several thousand persons were employed, and, according to an appraisal in 1918, the properties and equipment used in the fisheries were valued at over three million tomans.

A concession for the monopoly of these fisheries

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was granted to a Russian named Stepan Lionosoff, in 1876. It was renewed in 1879, 1886, 1893, and 1896; and in 1906, the Persian Government extended the term of the concession to 1925. In 1916, the heirs of Lionosoff organized the K. Y. Lionosoff Company, with a capital of about nine million gold rubles. During the war, difficulties arose over the payment of royalties and in 1918 the Persian Government notified the abrogation of the concession. The Russian Legation, it should be noted, protested the abrogation of the Lionosoff concession. On July 19, 1919, the fisheries were rented to a Russian named Vanitzoff, for fifty per cent. of the net profits; but, aside from the probable invalidity of this contract in the first place, the lessee appears to have paid no rent to the Persian Government. During the war the port of Pahlevi was occupied by the Russians, and at the close of the war the important fishery installations of Lionosoff at that place, fell into the possession of the Soviet Government.

Lionosoff had establishments at various places on the coast,—Astara, Pahlevi, Hassan Kiadeh, Karasoo, Meshed Hissar and Estrabad,—but those at Pahlevi, which I have seen, were the most important. Here are warehouses, docks, curing vats, refrigerators, a modern power plant, barracks and houses for the employees, a hospital,

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and a library. It is a plant that would do credit to any industrial city.

In the Russo-Persian Treaty of 1921, Article XIV refers directly to the fisheries. A literal English translation of the Persian text of this article reads as follows:

Realizing the importance of the fisheries of the southern shores of the Caspian Sea for the normal provisioning of Russia, the Persian Government is ready, after the expiration of the legal validity of its present obligations with respect to these fisheries, to make an arrangement with the Food Department of the Soviet Republic of Russia with respect to the fisheries, the terms of which arrangement will be prepared in the meantime.

The Persian Government is also ready to examine, with the Soviet Government of Russia, the means of making already now available the products of the above-mentioned fisheries to the Food Department of the Soviet Republic, and before the above-mentioned terms are prepared.

The gist of this article seems to me to be that at the expiration of existing rights (presumably referring to those of the Lionosoffs), the Persian Government shall conclude an agreement with the Soviet Food Department concerning the fisheries, with the object of insuring the normal supply of fish to Russia, and that prior to the expiration of existing rights, the Persian Government was

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ready to discuss with the Soviet Government the method by which in the meantime the Soviet Food Department should be assured of a sufficient supply of the products of the fisheries. This article should, moreover, be read in the light of the unselfish principles and renunciations repeatedly and solemnly set forth by the Soviet Government in the treaty.

The Soviet authorities continuing in occupation of the fisheries, the Persian Government was induced, in the spring of 1922, to give them the monopoly of the purchase of fish in Pahlevi and Hassan Kiadeh, in return for a payment of fifty thousand tomans. This grant was evidently for only one year, and, following the refusal of the Soviet authorities to pay the ordinary customs duties and taxes on fish, they were also exempted from these charges by the Persian Government.

In accordance with Article XIV of the treaty, representatives of the Soviet and Persian Governments met on November 20, 1921, to discuss the question of the fisheries. This joint commission met again on February 11, 1922, with no apparent result; but on October 28, 1922, a protocol was signed by representatives of the Persian and Soviet Governments, which says:

As per Article XIV of the Treaty of 26 February, 1921, concerning the Caspian Sea fisheries, the needed agreement should be made after the expiration of the

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period of the contract that the Persian Government has with the third person. And as the differences arising between the Persian Government and the firm of Lionosoff relating to the previous contract, is not yet settled, we take the decision in common agreement that our sitting be suspended in order that the differences between the Persian Government and the Lionosoff be accommodated.

In the meantime, acting on the protests of the Lionosoffs against the abrogation of their concession, the Persian Government appointed an arbitration commission consisting of three distinguished Persian jurists, who apparently possessed full power to determine the rights of the former concessionaires. The commission issued its decision November 8, 1922, to the effect that the abrogation of the Lionosoff concession by the Persian Government had been illegal, and that, in compensation for the damages sustained by the concessionaires, the period of their privileges should be extended fifteen years, on condition that fifty per cent. of the net profits should be paid to the Persian Government.

This was the state of affairs, with regard to the fisheries, on the arrival of the American Mission. During the next two years, discussions took place between the Persian Government and the Soviet Legation without result. Leon and Veronica Lionosoff reside at Teheran, and continue their

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protests; but, Martin Lionosoff went to Russia, and was reported several months ago to have sold his fishing properties in Astara to the Soviet Government, although Article VI of the 1893 concession, which was apparently still in force, provides that "all the workshops and material of the lessee will be regarded as a guarantee by the Persian Government and the lessee will not have the right to sell or transfer them to another person or persons."

In October, 1924, the Soviet representatives finally proposed that, subject to the approval of the Majless, the fisheries should be leased to a company, consisting of the Soviet Government and the Persian Government, in which each government should possess one half of the shares and one half of the directors. Such an agreement seemed to me to offer no practicable, business-like solution; and on October 4, 1924, I advised the Persian Government against accepting it. A few days later the Soviet Government offered the Persian Government a check for one hundred thousand tomans, ostensibly to pay for the fishery products which it was exporting. This check we declined to receive into the treasury.

On June 5, 1924, the Russian Legation at Teheran published the following bit of news in its "Moscow Wireless":



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Inasmuch as the actions taken by the American advisers with respect to financial reforms in Persia have been without result, the question was discussed a few days ago in the Persian Parliament and it was stated that it is no longer necessary to incur losses from the American Mission, particularly in view of the incompetence of Dr. Millspaugh in financial matters. Some of the politicians insisted on giving Dr. Millspaugh one year more to demonstrate his capacity in finance, but, nevertheless, the dissatisfaction with him is increasing, especially because of his political interferences.<sup>1</sup>

The editor of the paper added this remark:

This rumor is quite untrue. No such discussion has been made in the Parliament regarding Dr. Millspaugh and no political interference is made by him. The beginning of this rumor is due to the action of Dr. Millspaugh in protecting the rights of the Persian Government in connection with the fisheries of Hassan Kiadeh.

A day or two after, the Minister of Finance published the following official contradiction:

The news published in Moscow's wireless bulletin is absolutely untrue. The Persian Government appreciates Dr. Millspaugh's services in the centralization of the revenues and the control of the governmental expenditures.

Under date of October 20, 1924, a wireless despatch to the "New York Times" from Moscow contained the following statement, which may not

<sup>1</sup> From the Persian newspaper "Iran" of June 5, 1924.

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be authentic, but, so far as I know, has never been disclaimed :

American financial experts appointed to organize Persian finance have failed in their task to balance the budget and have driven Persia to the brink of financial ruin, says M. Shumiatzky, Soviet Minister to Persia, who arrived in Moscow today on a short visit.

A few weeks later, the Soviet Legation having indicated a friendly desire to discuss the matter with me, I proposed, in a spirit of conciliation and compromise, that after a settlement of the claims of the Lionosoffs, and the acquisition of their properties in a legal manner, the fisheries should be controlled by the Persian Government but the Soviet Government might be given minority participation. In my proposal, I included, of course, definite assurances regarding the normal supply of Persian fish to the Soviet Food Department. On learning my proposals, the representatives of the Soviet Legation immediately ceased their discussion with me, and insisted that the original proposition of the Legation should be submitted to the Majless. This was done, and the matter is now awaiting parliamentary action.

It is true that there is a slight difference between the Russian and Persian texts of Article XIV; but, according to the treaty, both texts shall be controlling. Regardless of treaty interpretation or prior rights, the facts are that since the

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fall of 1922 the Soviets have occupied the fisheries of Guilan, they claim the ownership of the fisheries of Astara, a Soviet consul has installed himself in one of the Lionosoff buildings in another place, and the Soviet authorities have purchased, prepared, and exported fish and caviar. Their actions with regard to the fisheries have been taken, so far as I know, without the permission of the Persian Government; and it may be presumed that no such permission has been or could be legally given without consultation with me, in accordance with my contract, and without the approval of the Majless as prescribed in the Constitution. The properties of the Lionossofs have meanwhile suffered constant deterioration and spoliation. We have rented the river fisheries, and have thus obtained a trifling amount of revenue, which has barely covered the subsidies paid to the two Lionossofs.

It is hoped that if the Majless declines to approve the proposed concession, the Soviet Government will see that in the fishery matter, as in others, the course most likely to be compatible with its material interests,—to say nothing of its moral and legal obligations,—is to respect the clear right of Persia, in the absence of treaty restrictions, to dispose, as a sovereign nation, of its own resources within its own territory.

In the greater part of Persia there are virtually

## NATURAL RESOURCES

no natural forests. In the north, along the Caspian coast and on the slopes of the Elburz Mountains, there are extensive forests. These are largely state property; but there has been in the past little attempt on the part of the Government to guard its forest wealth. Cutting and exportation have been by official permission, but the provisions made for reforestation have been inadequate. Pending the enactment of a forest law, by the Majless, the Council of Ministers passed on March 7, 1925, a decision which stipulated that all forests were to be considered as public property in the absence of documentary proof of private ownership; that the Government reserved the right in all forests, whether governmental or private, to supervise methods of reforestation; that the leasing of State forests and permission for cutting, subject to the technical supervision of the Ministry of Public Works, shall be by public bidding, with the approval of the Ministry of Finance; that the industrial trees to be especially protected are walnut, box, myrtle, oak, pine, mulberry, and all black trees; that the felling of industrial trees in private forests without the authorization of the Ministry of Public Works, is prohibited, and that such authorization, when given, must include various safeguards, including an engagement to plant five trees in place of each one felled. The Majless has been asked to au-

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thorize the employment of a German forest expert; and it is expected that when he arrives a comprehensive forest policy will be formulated and put into execution.

The mineral resources of Persia, with the exception of petroleum, are in general unexplored, unconceded, and unexploited. Underground mines are considered as government property. A temporary mining code, which has not yet been approved by the Majless, is observed in practice by the Ministry of Public Works; and an agreement was reached, in 1924, between the Ministries of Public Works and Finance, in which the latter ministry is given full control over the financial provisions of all mining leases. Since no adequate geological surveys have been made in Persia, it is impossible to specify or to evaluate her underground riches; but available information indicates an amazing variety of mineral deposits.

Iron is said to be widely distributed, but the exploitation of only two iron-mines has been authorized by concession. In Mazanderan, near the Caspian coast, it is found in proximity to coal. Various coal-mines in Persia are leased and worked, several of them being a few miles from Teheran. Two lead-mines are under lease; others have been worked but are now abandoned; while still others have never been exploited. Mines of alum, orpiment, sodium sulphate, sulphur, and



**TADAYON, LEADER OF THE MAJORITY  
IN THE MAJLESS, AND CHAIRMAN  
OF THE BUDGET COMMISSION**



**FIROUZ MIRZA, DEPUTY OF KER-  
MANSIAH AND A MAJORITY LEADER  
IN 1922-23**



**ARBAB KHAIKROSROW SHAHROKH,  
PROGRESSIVE PARSEE DEPUTY AND  
BUSINESS MANAGER OF THE  
MAJLESS**



**MIRZA MOHAMED ALI KHAN  
FOROUGHI (FORMERLY ZOKA OL  
MOLK), MINISTER OF FINANCE**



## NATURAL RESOURCES

graphite are under lease and in process of development. Mineral waters of all kinds occur in different parts of Persia, the best known being in the neighborhood of Lake Urumiah. Numerous salt-mines are leased by the Government, bringing in a revenue of forty thousand tomans annually. There is a valuable turquoise-mine in the province of Khorassan, said to produce the best turquoise in the world. Other turquoise-mines are located in Kerman, Ghom, Fars, and Teheran Provinces. Copper is widely distributed in Persia, but the mines, a few of which are under lease, are little worked. Valuable deposits of oxide of iron, on the Persian Gulf, are under concession to a Persian merchant. The list of other minerals which have been reported in Persia includes arsenic, realgar, borax, chromium, cobalt, nickel, emery, fire-clay, fluorite, gold, manganese, marble, mercury, platinum, saltpeter, silver, tin, and zinc.

There are several opportunities in Persia for hydro-electric development on a large scale. Two such projects which have been under investigation, involve the damming of the Djajaroud River near Teheran and the Karun River near Shustar.

The crown jewels constitute an interesting part of the national wealth of Persia. For the most part, they came into the possession of Persia at the conquest of India by Nadir Shah. A few years ago their value was appraised by foreign



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experts at forty million tomans. Acting on reports that the jewels were deteriorating, the Prime Minister personally inspected them on May 15, 1924. As reported to the Treasury-General by the Custodian of Royal Property:

He found the jewels in special sealed boxes placed on boards erected in the vicinity of the Treasury where they have been well ventilated by hard iron windows opening both to the north and to the south. Nevertheless, he instructed that the jewels be transferred to two of the upper store rooms known as Nasr-ed-Din Shah's middle bed-room where the Prime Minister himself went and found it fit for the purpose, emphatically directing them to block up all the openings around the said two rooms and to furnish entrance doors with iron windows for them.

We have already performed all the instructions pertaining to the strengthening of the two rooms which are now fit for our purpose.

As the local papers and the Majless are saying much about these jewels, and moreover the damp weather of the Treasury may really damage the pearls which are the most important wealth of the country, I reported the case so that you may arrange to advise the authorities of the Ministry of Finance of the matter, and thus bring about means of transferring the jewels to a safer place.

In its historical monuments and antiquities, Persia possesses a form of wealth that is of interest and value to the whole world. Unfor-

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Unfortunately, many choice Persian antiquities have been exported from the country without much return to the Persian Government and may now be seen only in foreign museums. The impressive ruins of Persepolis and Susa, however, are sublime reminders of the past grandeur of Persia, and the part played by the country in the history of civilization. The French possess a concession for archæological excavation in Persia; and, according to the Persian press, it is in process of revision. In April, 1925, Professor Pope, of the Art Institute of Chicago, visited Persia. He delivered lectures on Persian art before the public and officials of the Government, and, under his inspiration, a committee was organized to establish a National Museum.

## CHAPTER XII

### CONCLUSION

**T**HE work of the American Financial Mission in Persia is now well under way. •

Three years, the period of our association with the Persian problem, seem, in the shadows of Persepolis and Susa, a mere tick of the tireless clock of history. What Kismet has in store for the Persians, remains for the coming years to unfold; but, if in the heart of this Mohammedan people lurked the killing idea that fate had ages ago predetermined their destiny, how could we account for their present visions of progress, their acceptance of change, their faith in those who advocate a new order, their hope in the future? There are, of course, reactionary elements in Persia, but they are far outnumbered by the progressives. Pessimistic observers have more than once written cynical epitaphs for the tomb of this ancient nation; but Persia has refused to be buried, and has even perversely rejected the dictum of doctors that it had reached the final stages of decadence and death. A marvelous recuperative power possesses this ancient people

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and in that fact, as well as in their present manifestations of sanity and common sense, lies their hope for the future.

The American Mission has sometimes been compared to Hercules engaged in the task of cleaning the Augean stables, but no metaphor could be less apt. We are playing the part neither of Hercules nor of Sisyphus. The American Mission is not alone in its task. Before our arrival in Persia, the ground was prepared and the seed sown. We have had our passing disputes with officials and have met with opposition; but, as Muchir ed Dowleh remarked to me a few weeks ago, the American Mission has always had with it a vast majority of the influential Persians.

The masses of the people are still largely inarticulate, but the political leaders whom they most willingly follow are those who stand for honesty, nationalism, and progress. The work of the American Mission, the extension of its life, and the enlargement of its membership constitute the best evidence of the present attitude of Persians toward reform and progress. The psychology of the Persian people, as I have tried to show, is favorable to progress; the Majless, the supreme power in the Government, is establishing itself as an efficient legislative organ; executive force and political leadership are in capable hands; foreign governments have unqualifiedly

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renounced any purposes of aggression or interference in Persia. Stability and order exist in the country; Reza Khan Pahlevi's task of cementing the nation is approaching completion; the growing sentiment of patriotism gives vitality to the universal desire for constructive economic measures, for education, and for sanitation. In my last conversation with him before I left Persia, the Prime Minister said: "You may tell to any one you see, that the situation of Persia is secure."

With the coöperation of the Persians, much has been accomplished in the finances. Revenues have been increased, expenditures controlled, and economies effected; funds have been gradually diverted to the items which contribute to economic development and public welfare; the vicious circle of deficits and borrowings has been broken; a beginning has been made in the settlement and payment of claims; the credit of the Government has improved; the corruption that attended previous partizan and personal administrations has almost wholly vanished; laws have been enforced; the principles that budgets must be balanced and that a nation must increase its taxes to provide for its increased expenditures, have been given the formal stamp of parliamentary approval.

If a miracle has occurred in Persia since the arrival of the American Mission, it has been performed by the Persians themselves, who have

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started, as wisely and as surely as any other government, to lay the financial foundation of their future economic structure.

Much, however, still remains to be done. Budgetary procedure must be improved; through new sources of revenue, such as the sugar-and-tea monopoly that has just been passed, a surplus must be created to permit transportation development, productive public works, the rehabilitation of agriculture, the restriction of the opium evil, and the repeal of archaic and vexatious taxes; famines and epidemics must be prevented; to accelerate the carrying out of the economic and social program, a loan should be obtained for which Persia can offer acceptable security.

There are, of course, fairly obvious limits to the possibilities of economic development in Persia. The improvement of transportation facilities must first link the producing regions of the country with the consuming centers, and with the world's markets. Given transportation, Persian agriculture may be expected to expand to meet the needs of a larger population, as well as to contribute substantially to the export trade. Persian industry, remaining true to Persian artistic traditions, can grow until it becomes a worthy handmaid of agriculture. With transportation and the exhaustion of supplies abroad, Persia's mineral resources should also come to

## THE AMERICAN TASK IN PERSIA

their own. Already, apart from financial and allied measures, signs of better times are evident. Trade figures show a favorable trend; confidence is returning to the business community; bank deposits are increasing; the demand for more currency taxes the capacity of the mint; never before, perhaps, in the history of Persia were there so many pending applications for economic concessions. Of course, a country with the geographical, topographical, and climatic situation of Persia can never hope to be a highly developed industrial or commercial country. Montana, Wyoming, Colorado, and Utah are rich and promising regions, but their people have no aim, I suppose, to overtake economically New York, Pennsylvania, and Massachusetts. With the continuance of satisfactory political conditions, Persia can reasonably look forward to economic conditions which, by the increase and the better distribution of wealth, will absorb the unemployed and the idle, raise the standard of living, universalize education, and provide a richer and more varied life for her people. More than this, Persians probably do not expect or desire.

One of the most encouraging features of my association with the Persians is that they are one with me in recognizing that financial reorganization and economic development are not ends

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in themselves, but merely contributions to the promotion of the general welfare, which perhaps can be best defined as the greatest happiness of the greatest number. Whether a people caught in the elaborate mechanism of Western industrial civilization is really happier than one living a simpler life, is a question that probably can never be answered. It would be equally difficult to point out the features of our own civilization which are unquestioned contributions to happiness. Our nerve-specialists advise us to get back to the simple life and to take a rest; a majority of the Americans and Europeans who have lived in Persia, are content to remain there, and seem to suffer little from the absence of what we are pleased to prize as modern conveniences and luxuries.

Many of the economic and financial slogans of the international booster become cheap and meaningless when tested in terms of real welfare; and the recent introduction of an American brand of chewing-gum into Persia does not seem to have been an event to be especially celebrated. The imitation of superficialities and the acquisition of extravagances are, assuredly, of little importance. It is clear that Persia should acquire as quickly as possible all those features of our civilization which insure against poverty, pain, and fear. On



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the other hand, it would be better for many of us if we were to see and acquire the good in the life of other people.

From the facts that I have set forth in this book, no one, I believe, will gainsay that the Persians are proceeding manfully to the solution of their problem. While certain European countries have made excuses and floated loans, Persia, whose neutrality was violated, has assumed the burden of post-war reconstruction without reparations and, except for a few chaotic months after the war, without borrowing, and has also undertaken to settle the war claims of a foreign government. Through it all, her toman has risen in exchange value above the dollar and the pound. Unifying her people and maintaining order and security, she has voted additional taxes, equal to twenty-five per cent. of her present revenue, for the purpose of opening her territory to the industry and civilization of the modern world. One of the opium-producing countries, she has offered, if given reasonable coöperation, to curtail the cultivation of opium. A people with such a record deserves at least to be permitted to work out unhindered its own destiny.

One hears the questions: "But how long will present conditions last in Persia? What will happen when Reza Khan Pahlevi drops his leadership and power?" To this there can be only one

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answer. No one can predict precisely what may happen, but this much may certainly be said: that, entirely apart from the person of any one leader, there are elements of stability and progress in Persia which have been growing stronger for a generation. Having produced leaders in the past, the Persian people may be expected to produce them in the future. Every nation depends on its leaders; and when a leader passes, there are always dire predictions of disaster. Whatever may happen in the future, it is certain that Persia will need the forbearance and sympathetic assistance of foreign peoples more than criticism and compulsion.

While I am not responsible for the foreign policy of the Persian Government, and do not presume to advise any other government regarding its attitude toward Persia, it seems not improper to add to what I have already said on the international position of Persia, my views regarding the international measures which are most likely to assist the American Mission and Persian progressives in their task. If I read published diplomatic correspondence aright, adequate assurances have been given by foreign governments regarding the territorial integrity of Persia and equality of economic opportunity in the country. Persia herself not merely gives lip-service to the principle of the open door, but desires to make

## THE AMERICAN TASK IN PERSIA

the principle a practical reality by eliminating the discredited ideas of "spheres of influence" and "special interests," and by establishing within her territory conditions under which foreign capital may genuinely compete and be treated impartially. In a previous chapter, I have quoted fully, from published sources, official statements concerning the policies of Great Britain and Russia. With respect to the general policy of the United States Government, there is quoted below the paraphrase of an instruction sent by the Department of State to the American Legation at Teheran on January 21, 1922: .

You may inform the Persian Government that the Government of the United States is deeply interested in the Open Door and that it would insist upon this principle in its exchanges with the British or any other Government. The American Government attaches the greatest importance to the preservation in Persia of such opportunity for American interests as is enjoyed by the interests of any other nation.

To this Muchir ed Dowleh, then Prime Minister, made reply on January 26, 1922, as follows:

In thanking you for the communication which you were good enough to make to me, I seize this occasion to assure you that the Imperial Government which as always is attaching great importance to the maintenance of the principle of "open doors," will do everything in its power for the maintenance of this principle,

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as well as for the development of the relations which exist between our two countries, and in this respect I count very much upon the precious assistance of the American Government.”<sup>1</sup>

Persia itself merits a fair opportunity, not so much for Persian capital abroad as for Persian aspirations at home.

It is believed that if the facts of Persia were fully known, those foreign governments which now possess or assert a right to block her tax legislation, to prevent a revision of her tariff, and, on one basis or another, to insist on special economic privileges against her will, would be willing to recognize for her every fiscal and economic right possessed by other sovereign nations, upon receiving from her those guarantees—which, if I interpret her policy correctly, she has given and is still willing to give—of equality of economic opportunity to all who have interests in her territory.

In the first half of the nineteenth century, when our own nation was still young, the careers of Bolivar, Kosciusko, Kossuth, Garibaldi, and others evoked warm expressions of sympathy in the platforms of our parties and the resolutions of our Congress; but those days have almost faded from our memories. Our present age is one per-

<sup>1</sup> Senate Document, 68 Congress, 1st. No. 97, p. 90.

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haps not of cynicism and indifference but certainly of cold-blooded scientific administrative realism. Persia, however, as I have sought to show, is, according to the spirit of the age, solving a problem rather than fighting a battle. Her atmosphere is that of the bank rather than the opera. Her aims are expressed in the familiar terms of administration, economics, and finance. She makes no appeal to emotion. Nevertheless, viewed in a spirit of complete cold-bloodedness, her problem integrates into the world problem, the solution of which depends on stabilization through the perfecting of existing units of social organization, and through the creation of guarantees of free and frictionless economic circulation. There is, in my opinion, little hope for a contribution to the solution of the problem of Persia or of the world, in those old practices which were casual and inefficient—politico-economic penetration, the tutelage of the weak by the strong, forced exploitation, and the agglomerating of empires.

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